

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name CHARTER TOWNSHIP OF BLOOMFIELD, MI	County OAKLAND
Audit Date 3/31/06	Opinion Date 7/28/06	Date Accountant Report Submitted to State: 9/28/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

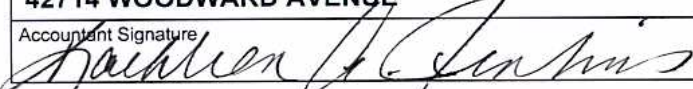
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) JENKINS, MAGNUS, VOLK & CARROLL, P.C.			
Street Address 42714 WOODWARD AVENUE	City BLOOMFIELD HILLS	State MI	ZIP 48304-5061
Accountant Signature 		Date 9/27/06	

**CHARTER TOWNSHIP OF BLOOMFIELD
STATE OF MICHIGAN**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

Year ended March 31, 2006

**CHARTER TOWNSHIP OF BLOOMFIELD
STATE OF MICHIGAN**

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR’S REPORT	2 -3
MANAGEMENT’S DISCUSSION AND ANALYSIS	5 - 11
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities	15 - 16
Fund Financial Statements:	
Balance Sheet – Governmental Funds	18
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	22
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Road Fund	23
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Public Safety Fund	24
Statement of Net Assets – Proprietary Fund	25
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund	26
Statement of Cash Flows – Proprietary Fund	27 - 28
Statement of Fiduciary Net Assets – Fiduciary Funds	29
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds – Retirement System Pension Trust Fund	30
Notes to the Financial Statements	31 - 52
Statistical Information Required for Continuing Disclosure Certificate (unaudited – not covered by audit opinion)	54 - 56
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Non-major Governmental Funds	58
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds	59
Combining Balance Sheet – Non-major Special Revenue Funds	60
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Special Revenue Funds	61
Balance Sheet – Non-major Debt Service Funds	62
Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Debt Service Fund	63
Combining Statement of Changes in Assets and Liabilities – Agency Funds	64

INDEPENDENT AUDITORS' REPORT

Charter Township of Bloomfield, Michigan
State of Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Charter Township of Bloomfield, State of Michigan (the "Township"), as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Bloomfield Township Public Library which represents 100% of the assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and with standards prescribed by the Treasurer of the State of Michigan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township, as of March 31, 2006, and the respective changes in financial position and cash flows where applicable thereof, and the budgetary comparison for the general fund, road fund and public safety fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 5-12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining and individual fund financial statements and schedules and the statistical information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Township. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Jenkins, Magnus, Volk & Carroll, P.C.

Certified Public Accountants

Bloomfield Hills, Michigan
July 28, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the *Charter Township of Bloomfield, Michigan*, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2006.

Financial Highlights

- The assets of the Township exceeded liabilities at the close of the most recent fiscal year by \$90,129,047 (net assets). Total net assets decreased by \$3,871,648 as compared to the previous fiscal year. A prior period adjustment of \$8,135,681 accounted for all of the decrease. These amounts do not include fiduciary funds.
- The major components of net assets are \$61,399,126 in capital assets net of related debt and \$30,615,324 in cash and investments with the remainder consisting of receivables net of accounts payable and deferred revenues.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$24,834,724, an increase of \$3,485,335 when compared with the previous fiscal year. Of these ending balances, \$21,545,594 is reported as undesignated and available for spending at management's discretion; the remaining \$3,289,130 is restricted, largely in debt service funds.
- At the end of the current fiscal year, undesignated fund balance for the general fund was \$4,874,045, or 53 percent (53%) of total general fund expenditures.
- The Township's total general long term debt increased by \$54,198 during the current fiscal year. This debt consists of county drain contracts, water and sewer system bonds, library construction bonds and employee's compensated absences. A new drain contract was entered into during the fiscal year totaling \$970,685.
- Net assets in the water and sewer fund decreased by \$3,158,725, approximately one half of this decrease resulted from a prior period adjustment of \$1,570,209. Bonded debt increased by \$604,172 as a result of refinancing and the transfer of some debt from the old CSO fund. No new debt was issued in this fund during the fiscal year.

Overview of the Financial Statements

The Township's audited financial statements consist of three main components: 1) government-wide financial statements, 2) fund level financial statements by category, and 3) notes to the financial statements. The following discussion and analysis is intended to provide an introduction to these basic financial statements as presented in the audit report.

Government-Wide Financial Statements. These statements are designed to provide readers with a broad overview of the Township's finances.

The statement of net assets provides information on all of the Township's assets and liabilities, with the difference between the two reported as fund equity (net assets). Over time, changes in fund equity may serve as an important indicator of whether the financial position of the Township is improving or deteriorating.

The government wide financial statements include all categories of Township government which includes the *Governmental Fund Types, Proprietary Fund Types, Fiduciary Fund Types, Capital Assets and Long Term Debt*. The statement of net assets can be found on page 14 of the accompanying audit report with the statement of activities on pages 15-16.

Fund Financial Statements. A fund is a grouping of related accounts used to account for resources that have been accumulated for a specific activity or purpose. The Township uses fund accounting to demonstrate compliance with

finance-related laws as is required of all state and local governments. All Township funds fall into one of three major categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds consist of the Township's main operating funds, which include the general fund, special revenue funds and debt service funds. The general fund is used to account for revenue and expenses for general Township government that would not fall under any other fund category. Special revenue funds account for expenditures paid for by revenues collected for a specific purpose. This category of funds consists of the public safety fund (police, fire and dispatch), the road fund, the senior services fund, the lake improvement fund, the cable TV fund, the safety path fund, the drug law enforcement fund, the building department fund, Bloomfield Village police and fire funds and the improvement and revolving fund. The Township maintains two debt service funds to account for revenue collected for the purpose of retiring various bond issues for county drain projects and a major library renovation.

In all, the Township has fourteen individual governmental funds. Individual balance sheets and statements of revenues and expenditures for each of these funds are presented in this report. These statements allow the reader to gain a much narrower focus on Township financial activity than the government wide statements. Also, these statements make it possible to analyze near term financial decisions made by Township managers.

Proprietary Funds. The Township has one *proprietary fund*, which is the water and sewer fund. The main feature distinguishing a proprietary fund from a governmental fund is the source of revenue. Governmental funds are principally supported by taxes and intergovernmental revenues while proprietary funds recover all or a significant portion of their costs through user fees and charges (business type activities).

Fiduciary Funds. The Township has three *fiduciary funds*. Fiduciary funds are used to account for resources held by the Township for the benefit of parties other than the governmental entity. These funds are not available to be used for Township programs. The majority of the resources in this fund group are set aside to satisfy the pension liability to Township employees.

Statement of Net Assets Financial Analysis

Net assets are one indicator of a government's financial condition either at a given point in time or as compared over a period of time. At the close of the most recent fiscal year, Bloomfield Township's assets exceeded liabilities by \$90,129,047. For the purpose of this analysis, the fiduciary funds and the component unit are not included as these resources are not available to support Township programs.

It is important to note that the largest portions of the Township's net assets reflect investments in capital assets (land, buildings, vehicles, equipment and infrastructure) and not cash or cash investments. At the close of the most recent fiscal year, 68% of the Township's net assets consisted of capital assets with the remainder consisting mostly of cash, cash investments, and accounts receivable less accounts payable and accrued expenses.

A portion of the Township's net assets, \$8,010,685, consists of fund balances or net assets subject to restrictions as to how they may be used. The unrestricted portion of net assets that is available to the Township to meet ongoing obligations within the various funds totaled \$20,719,416 at the close of the most recent fiscal year.

As of the end of the current fiscal year, the Township has positive balances in all fund types and in each of the individual funds within the fund types.

As mentioned, during the current fiscal year net assets of the Township decreased by \$3,871,648. This decrease is reflected (82%) in the proprietary fund (water and sewer) and (18%) in the governmental fund types. Changes in proprietary fund net assets are analyzed on page 26 of the accompanying audit report.

Governmental fund type. Net assets decreased by \$712,923 as a result of activities within these funds. This represents 18% of the total decline in the net assets of the Township. The major factors leading to this decrease are as follows:

- Property tax revenues increased by about 3.05% after the required rollbacks largely due to inflationary increases in the existing tax base. This represents a very typical increase absent any new voted millage. The increase however remains significantly lower than the approximate 5% increase in pay and benefits.
- The major operating funds in this category did experience a 5% increase in revenues collected over the previous year. This greater than average increase was largely a result of higher interest rates increasing investment income returns by \$531,754. This more than offset another decrease in state revenue sharing; however, we still fell far below keeping pace with a 9.30% increase in expenditures within these funds.
- The expenditure increase is a result of still experiencing significant increases in health care and pension costs, eroding virtually all of the gains resulting from the increased revenues. In addition, capital expenditures for necessary vehicle purchases in the public safety fund were significantly above what was spent last year.

Fiduciary fund type. Net assets increased in these funds by \$4,546,166, making the total net assets at the end of the current fiscal year \$96,324,211. This increase resulted mostly from an increase in the Township's Retirement System Pension Trust Fund. The Township holds \$2,287,045 in escrow for various purposes other than the pension fund. Factors related to the increase in net assets within this fund type are summarized below.

- Contributions and earnings within the Township's defined benefit pension plan were greater than payments made to retirees from the plan by \$4,540,105.
- The liability for unused paid leave increased by \$122,450 resulting in additional dollars being transferred into trust to fund this liability at \$1,532,281.
- Others monies held in escrow by the Township decreased by \$15,013 to \$754,764.

Proprietary fund type. These business type activities decreased the Township's net assets by \$3,158,725 as compared to last year. This decrease represents 82% of the total decrease in the net assets of the Township. Major elements of the decrease are the following:

- A good portion of the decrease, \$1,570,209, was the result of a prior period audit adjustment pertaining to accumulated depreciation.
- Water and sewer fee increases to the customers lagged behind the increased costs charged to the Township resulting in an operating loss of \$937,694.
- Debt for the sewer retention basin was transferred from the soon to be defunct CSO Debt Fund to the Water & Sewer Fund. This transfer amounted to \$981,993.

Financial Analysis of Individual Government Fund Types

The funds within this group provide information on near-term inflows, outflows and balances for the Township's main operating funds. The information contained in these funds is useful in determining the financing requirements of the Township, particularly as related to their major revenue source - property taxes. Unreserved fund balance is a very useful measure of a government's net resources available for spending at the end of the fiscal year. However, it is important to remember that these audited financial statements represent a snap shot as of one point in time and the financial picture changes constantly throughout a fiscal year. This is especially significant when analyzing Bloomfield Township's financial data because property taxes are collected very late in the fiscal year (final due date is February 14th), meaning most of the cash and fund balances as of the fiscal year end are made up of this major revenue source. For this reason, a snap shot as of March 31st may be misleading as to the financial strength of this particular group of

funds. Certainly small fund balances, although positive, would not necessarily represent a healthy financial position. The current fund balances are adequate; however, they are not considered by management to be optimum.

Public Safety Fund. This special revenue fund is by far the largest within the governmental fund type category. At the end of the current fiscal year, the unreserved fund balance of the public safety fund was \$8,367,411. This represents an increase of \$587,353 over the previous year. The major reason for the operating surplus was the approval of a new property tax millage in November of 2002. The new property tax revenue provided much needed relief to the fund as it was experiencing significant operating deficits prior to the approval. The new millage also relieved the burden on the General Fund to subsidize the deficits and pay for public safety dispatch and the cost of health insurance for retired public safety employees and their dependents. These expenses have increased over those years to where they are presently approximately \$2,367,000 annually and are now appropriately charged to the public safety fund. The fund balance increase is welcome news; however, the amount of operating surplus has been declining consistently since the new millage was passed. If the trend of expenditures increasing at a greater pace than revenues cannot be stopped, then the fund will return to operating deficits in the very near future. The Township administration is taking action in an attempt to stop or reverse this trend. Knowing that over 85% of this fund's expenses are related to salary and benefit costs of personnel, any changes must be targeted at these expenses. This is especially relevant with the current environment of double digit increases in health care costs. Presently the Township spends over \$5,000,000 on life and health insurance for active and retired police and fire department personnel. The fund spends an additional \$2,549,000 for pension benefits. The Township has made proposals to the police and fire unions to reduce and share the cost of health care and to switch from a defined benefit to a defined contribution pension plan. We have experienced some success in making these changes. Restrictions on a local government's ability to increase property tax revenues make it very difficult for this or any fund that relies almost exclusively on property tax revenue to absorb increases above the consumer price index to these major expenses over an extended period of time. Consequently, even though the present financial position of the public safety fund is sound, management must find ways to reduce the rate at which health care costs are increasing. If employee costs cannot be contained the level of police and fire services in the near future may have to be reduced or the residents of the Township will have to vote again to increase the tax rate.

General Fund. The general fund is a key operating fund of Bloomfield Township. Several major revenue sources flow through the general fund including some property taxes, state revenue sharing funds and interest income on investments. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$4,874,045. The entire general fund balance is unreserved and available for spending at the administration's discretion, including transfers to supplement special revenue funds.

During the current fiscal year, the fund balance of the Township's general fund increased by \$1,171,685. The majority of the increase was the result of investment revenue coming in \$514,000 over what was projected due to a fortunate turn in interest rates. The other major factor in the increase was the district court presenting a \$215,000 surplus as opposed to the projected \$178,000 deficit. The fund expenditures finished the year at 97% of the budget projection, which provided another \$290,000 to the fund balance increase.

This fund is currently in sound financial shape but does face several challenges going forward. The expenditures in this fund are not as dominated by personnel costs as the public safety fund, yet over 65% of the fund's costs derive from salaries and fringe benefits of staff. This puts the fund under great pressure when health care and pension expenditures increase faster than the inflation rate. In order to help control these costs, all new employees hired in this fund will now participate in a defined contribution pension plan, which should over time reduce the pension cost to the fund. In addition, all employee's health care deductibles and co-pays have been increased and for the first time employees are contributing to the cost of their health care premium.

The three main sources of revenue to this fund; property taxes, state revenue sharing and investment income, typically do not increase at a rate greater than the consumer price index, consequently there is no guarantee that the major sources of revenue to this fund will be able to keep pace with projected increases to expenditures. The fact that fund reserves increased the past two years was very welcome following several years of depletion, however, management's enthusiasm must be tempered somewhat realizing that capital expenditures for the year were very low

and investment income was unusually high. In addition, the fund currently needs to provide more support to the road fund and may in the near future have to aid the public safety fund.

Road Fund. The road fund is the third of the three major governmental operating funds. At the end of the current fiscal year, unreserved fund balance of the road fund was \$1,761,964. This represents a decrease of \$432,752 when compared to the prior fiscal year. The fund budget projected a \$626,000 operating deficit so actual results improved upon the projection. Presently the fund balance is sufficient to allow operating expenses to be met without any significant cash shortage in the fund; however, fund revenues have consistently fallen short of expenditures in recent fiscal years except in years where contracted maintenance work was cut back or eliminated. In past years, the general fund has supplemented the road fund in order to maintain a high level of service. In fiscal 2005-06, this supplement amounted to \$500,000. If this support is no longer possible, services will have to decrease or other revenue sources will have to be obtained. It does appear for at least the next couple of years that the general fund will be able to continue to support road fund operations. Currently, the major revenue sources of the fund are property taxes (\$2,572,000), the general fund transfer (\$500,000) and Oakland County Road Commission contract repayments (\$561,235). The limitations on how much these revenues may increase from year to year are making it difficult for the fund to keep up with the expenditure increases for employee benefits and necessary road maintenance. To help control these costs, road department employees have agreed to the same health care and pension changes as the general fund employees.

Other Government Funds. The remaining government funds are special revenue funds, which are much smaller in scope than the three major funds. These funds derive their revenue from special assessments, user fees or unique, specifically designated sources such as cable franchise fees or drug forfeiture cash. All these funds must spend within the means of their revenue sources. The funds are in good to excellent financial condition as of the end of the current fiscal year.

Proprietary Funds. The Township's proprietary fund is the water and sewer fund. The main source of revenue to this fund results from user fees to customers on water purchases and sewage treatment charges. These revenues are used to cover the administrative expenses related to providing these services as well as costs to repair and maintain the water and sewer system. There is also some allowance made in the rates to provide resources for future capital improvements and major repair and maintenance of infrastructure.

Unrestricted net assets of the water and sewer fund amounted to \$10,197 at the end of the current fiscal year. The fund had a decrease in all net assets for the fiscal year of \$3,158,725. The components of this decrease were detailed earlier in this analysis.

In 2002, a reliability study was conducted to assess the Township's water supply system. In summary, the study modeled the water system during peak hour demand and fire flow conditions. The study found some areas deficient in maintaining the necessary pressures required to comply with Safe Drinking Water Act (SDWA) criteria for providing sufficient water pressure. The recommended system improvements have been prioritized to include the replacement of smaller sized (6 inches or less) underground piping as needed in the areas where the system was constructed prior to SDWA. In addition, most of the larger transmission water piping within the Township is over 40 years old. As with any aging infrastructure, water supply piping becomes less reliable to provide adequate flows due to long term wear on the internal pipe lining and operational valve components.

The Township's sanitary sewer system has been designated as in non-compliance as per a 1989 Pollution Abatement Order from the Michigan Department of Environmental Quality (MDEQ) for exceeding the Township's allocated capacity contribution to the Evergreen-Farmington Sewage Disposal System's (EFSDS) sanitary sewer overflows. The MDEQ is requiring the Township to find and eliminate sources of inflow and infiltration by way of sewer metering, video inspection and pipe rehabilitation. The Township is well into this process and the successful elimination of such sources will potentially reduce the Township's contribution to the EFSDS regional sanitary sewage retention basin.

The water supply infrastructure concerns mentioned above have been prioritized and broken into a four phase capital improvement program designed to replace about \$20,000,000 of water main. The process to sell bonds for Phase 1 began early in fiscal 2005-06. The bonds amounting to \$4,470,000 will be sold in May 2006. Routine correction of the sewer infiltration/inflow is being funded with a .25 increase to the sewer bill rate. Dollars generated via this rate increase will be used for several sewer rehabilitation projects. This fund also has restricted replacement and improvement cash set aside for these type projects.

Capital Assets. The Township's investment in capital assets for its governmental and business type activities as of March 31, 2006, amounted to \$71,620,815 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to properties other than buildings, machinery and equipment, infrastructure and Township share of county sewers. The total decrease in investment in capital assets for the current fiscal year was about .05 percent (a 6.8 percent increase for governmental activities and a 4.9 percent decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Fire Department vehicle purchases at a cost of \$745,370
- Improvements to water and sewer infrastructure costing \$738,308
- Safety Path (sidewalk) construction at a cost of \$1,212,197
- Police Vehicles and equipment costing \$381,067
- Road Department vehicles at a cost of \$268,993

Additional detail regarding capital assets can be found in section five of the notes to financial statements of this report.

Long Term Debt. At the end of the current fiscal year, the Township had total bonded debt outstanding of \$35,305,315, which consists of \$32,325,812 within the governmental activity funds and \$2,979,503 within the business-type activity fund. The majority of the governmental debt consists of bonded debt (\$22,450,000) to pay for the library addition and renovation. The library debt is being paid for with an annual property tax levy approved by the Township residents in 2004. The remaining debt within the governmental funds reflects the Township's share of county debt for various storm sewer projects. The bonded debt in the business type activity fund consists of the Township share of county debt obligations for various sanitary sewer construction projects within the Township. The sanitary sewer debt payments are made using funds collected from sanitary sewer customers on their quarterly bills. The remaining long term debt reported consists of \$873,965 for employee compensated absences.

The Township's total long term debt increased with the addition of \$970,685 in new bonded debt for the Franklin Subwatershed Drain. The Township's long term debt decreased by \$1,024,890, largely as the result of making the annual required debt payments.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The Township currently has no debt obligations that would be applied against this limitation.

The Township is considering requesting voter approval of a general obligation debt for the purpose of constructing a new maintenance garage, central fire station, senior center, and make renovations to other fire stations. The projected cost of these improvements would be \$26,000,000. The proposal will be presented to voters in August, 2006. If approved, the Township's major capital asset needs should be taken care of well into the future.

Transfers of Funds. During the current fiscal year, the Township transferred \$500,000 from the general fund to the road fund to assist that fund in meeting its financial obligations. The Township also transferred \$500,000 from the general fund to the improvement and revolving fund to assist that fund in paying for several community projects. These projects included the beautification of road medians, storm drain maintenance, gypsy moth spraying and mosquito control.

Summary. The Township experienced a satisfactory fiscal year financially in 2005-06 despite two major funds experiencing a decline in their equity positions. Management must remain vigilant on several financial fronts, particularly the following:

- State shared revenue payments continue to decrease annually. This has historically been our second highest source of revenue behind property taxes.
- Investment income revenue has increased recently; however, interest rates remain relatively low.
- Health insurance premiums have consistently been increasing at a rate significantly above our property tax revenue increase limitations.
- The employees' defined benefit pension plan is a very expensive fringe benefit. The cost continues to rise as a percentage of pay in spite of aggressive efforts in recent years to lower the cost of this benefit.
- Must stop the declining operating surplus in the public safety fund before it becomes an operating deficit.

In response to these circumstances, the Township has taken several measures in an attempt to maintain a solid financial position into the future. Several of these measures are listed below:

- The most significant change was the voter approval of a new 2.5 mill property tax for public safety. This allowed property tax revenue in the public safety fund to increase by over \$8,000,000 per year beginning in 2003 and enabled the Township to maintain police, fire and EMS services at previous levels.
- The Township further diversified the investment portfolio in the pension fund to improve long term investment return projections.
- The Township has negotiated to have a defined contribution pension plan replace the defined benefit plan for all new hires (excluding at this time the fire union employees). This will allow our pension expense in the future to be fixed and predictable as well as making the cost increases much more likely to fall within the same parameters as our revenue increases.
- The Township continues to closely monitor the health insurance plan. With new retirees increasing, the number of covered employees on our plan combined with health care cost trends are significantly above the CPI. During this fiscal year we have negotiated to increase the deductibles and co-pays on the plan for most employees. Also, for the first time, active employees are paying a portion of their health insurance premium.
- Improved cash availability from the new millage, along with increasing interest rate returns on investments, has reversed the trend of decreasing investment income experienced over the past several years.

The Township's present financial condition in both the governmental and the business-type funds is very good and has improved over the previous year. The expectation is that this situation will continue, at least into the near future. Our most pressing financial concern is the rate of increase in employee benefit costs causing major operating fund expenditures to increase at a greater rate than revenues. Presently the road fund causes the most immediate concern regarding our ability to continue to afford the high level of road services we have historically provided.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CHARTER TOWNSHIP OF BLOOMFIELD, MICHIGAN

STATEMENT OF NET ASSETS

March 31, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Library
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 6,227,047	\$ 5,257,832	\$ 11,484,879	\$ 6,846,285
Investments	19,130,445	-	19,130,445	19,463,919
Receivables	26,622,862	3,057,649	29,680,511	42,161
Internal balances	99,500	(99,500)	-	-
Prepaid items	21,304	-	21,304	2,143
Inventory	185,480	71,190	256,670	-
TOTAL CURRENT ASSETS	52,286,638	8,287,171	60,573,809	26,354,508
NONCURRENT ASSETS				
CAPITAL ASSETS				
Nondepreciable assets				
Land	828,648	-	828,648	131,015
Other	-	-	-	5,333,158
Depreciable assets				
Land improvements	9,469,838	-	9,469,838	-
Building	18,369,265	-	18,369,265	5,483,520
Machinery, furniture and equipment	16,367,088	1,337,336	17,704,424	2,244,736
Library books & audiovisual materials	-	-	-	3,079,953
Investment in system	12,697,399	63,489,590	76,186,989	-
Less accumulated depreciation	(26,005,224)	(24,933,125)	(50,938,349)	(4,541,307)
TOTAL CAPITAL ASSETS	31,727,014	39,893,801	71,620,815	11,731,075
TOTAL NONCURRENT ASSETS	31,727,014	39,893,801	71,620,815	11,731,075
TOTAL ASSETS	84,013,652	48,180,972	132,194,624	38,085,583
LIABILITIES				
Accounts payable and accrued expenses	4,836,700	1,678,418	6,515,118	1,072,448
Unearned revenue	127,804	117,340	245,144	-
Due to primary government	-	-	-	488,152
Amounts due within one year	1,212,782	466,969	1,679,751	398,538
TOTAL CURRENT LIABILITIES	6,177,286	2,262,727	8,440,013	1,959,138
NONCURRENT LIABILITIES				
Amounts due in more than one year	31,113,030	2,512,534	33,625,564	283,973
TOTAL NONCURRENT LIABILITIES	31,113,030	2,512,534	33,625,564	283,973
TOTAL LIABILITIES	37,290,316	4,775,261	42,065,577	2,243,111
NET ASSETS				
Invested in capital assets				
net of related debt	22,725,167	38,673,959	61,399,126	11,731,075
Restricted for:				
Capital projects	-	3,985,696	3,985,696	-
Debt service	3,121,525	735,859	3,857,384	-
Public safety	167,605	-	167,605	-
Construction	-	-	-	18,326,268
Gifts	-	-	-	159,056
Unrestricted assets	20,709,039	10,197	20,719,236	5,626,073
TOTAL NET ASSETS	\$ 46,723,336	\$ 43,405,711	\$ 90,129,047	\$ 35,842,472

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF BLOOMFIELD, MICHIGAN

STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenue Charges for Services</u>	<u>Net (Expense) Revenue</u>
PRIMARY GOVERNMENT			
Governmental activities:			
General government	\$ 9,445,859	\$ 3,184,370	\$ (6,261,489)
Public safety	22,367,865	2,315,237	(20,052,628)
Public works	4,334,577	-	(4,334,577)
Community enrichment and development	2,449,338	-	(2,449,338)
Miscellaneous	820,915	-	(820,915)
Interest on long-term debt	1,220,556	-	(1,220,556)
TOTAL GOVERNMENTAL ACTIVITIES	40,639,110	5,499,607	(35,139,503)
Business-type activities:			
Water & Sewer	14,363,930	13,659,386	(704,544)
TOTAL PRIMARY GOVERNMENT	<u>\$ 55,003,040</u>	<u>\$ 19,158,993</u>	<u>\$ (35,844,047)</u>
COMPONENT UNIT			
Library	<u>\$ 4,588,100</u>	<u>\$ 8,448</u>	<u>\$ (4,579,652)</u>

continued...

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF BLOOMFIELD, MICHIGAN

STATEMENT OF ACTIVITIES (CONCLUDED)

Year Ended March 31, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Library
CHANGES IN NET ASSETS				
Net (expense) revenue	\$ (35,139,503)	\$ (704,544)	\$ (35,844,047)	\$ (4,579,652)
General revenues:				
Property taxes	34,170,212	-	34,170,212	5,231,756
Circulation revenue	-	-	-	107,535
Federal grants	188,565	-	188,565	-
State shared revenue	3,331,176	-	3,331,176	35,911
Miscellaneous	1,559,601	13,555	1,573,156	181,441
Unrestricted investment earnings	760,505	84,466	844,971	797,210
TOTAL GENERAL REVENUES	40,010,059	98,021	40,108,080	6,353,853
TRANSFER	981,993	(981,993)	-	-
CHANGE IN NET ASSETS	5,852,549	(1,588,516)	4,264,033	1,774,201
NET ASSETS, beginning of year	47,436,259	46,564,436	94,000,695	34,068,271
Prior period adjustment	(6,565,472)	(1,570,209)	(8,135,681)	-
NET ASSETS, beginning of year, restated	40,870,787	44,994,227	85,865,014	34,068,271
NET ASSETS, end of year	<u>\$ 46,723,336</u>	<u>\$ 43,405,711</u>	<u>\$ 90,129,047</u>	<u>\$ 35,842,472</u>

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

CHARTER TOWNSHIP OF BLOOMFIELD, MICHIGAN

BALANCE SHEET GOVERNMENTAL FUNDS March 31, 2006

	General	Road	Public Safety	Drain	Library Debt Retirement	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 1,931,900	\$ 1,943,781	\$ 11,426,632	\$ 1,070,923	\$ 2,169,016	\$ 6,815,240	\$ 25,357,492
Receivables (net)							
Delinquent taxes	2,143,083	-	-	-	-	-	2,143,083
Interfund construction advances	-	-	-	-	-	99,500	99,500
Local school systems	-	-	2,624	-	-	-	2,624
Component unit	488,152	-	-	-	-	-	488,152
Special assessment districts	-	-	-	-	22,450,000	-	22,450,000
Other	1,310,488	13,872	2,176	-	-	208,557	1,535,093
Prepaid items	21,304	-	-	-	-	-	21,304
Inventories	37,317	91,150	-	-	-	57,013	185,480
TOTAL ASSETS	\$ 5,932,244	\$ 2,048,803	\$ 11,431,432	\$ 1,070,923	\$ 24,619,016	\$ 7,180,310	\$ 52,282,728
LIABILITIES							
Payables and accrued expenses	\$ 930,395	\$ 286,839	\$ 3,064,021	\$ 173,269	\$ -	\$ 335,091	\$ 4,789,615
Deferred revenue	127,804	-	-	-	22,450,000	80,585	22,658,389
TOTAL LIABILITIES	1,058,199	286,839	3,064,021	173,269	22,450,000	415,676	27,448,004
FUND BALANCES							
Undesignated reported in:							
General fund	4,874,045	-	-	-	-	-	4,874,045
Special revenue	-	1,761,964	8,350,654	-	-	6,558,931	16,671,549
Designated reported in:							
Special revenue	-	-	16,757	-	-	150,848	167,605
Reserved for debt service	-	-	-	897,654	2,169,016	54,855	3,121,525
TOTAL FUND BALANCES	4,874,045	1,761,964	8,367,411	897,654	2,169,016	6,764,634	24,834,724
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,932,244	\$ 2,048,803	\$ 11,431,432	\$ 1,070,923	\$ 24,619,016	\$ 7,180,310	\$ 52,282,728

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF BLOOMFIELD, MICHIGAN

RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS March 31, 2006

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 24,834,724
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Amounts reported for governmental activities in the statement of net assets are different because:

Adjustments required to convert balances to full accrual basis from modified accrual basis.

Add: deferred special assessment revenue	22,530,585
Deduct: deposits and accrued expenses	(43,175)

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: capital assets	57,732,238
Deduct: accumulated depreciation	(26,005,224)

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: contracts and loans payable	(31,451,847)
Deduct: compensated absences	(873,965)

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 46,723,336</u>
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The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF BLOOMFIELD, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE ALL GOVERNMENTAL FUNDS Year Ended March 31, 2006

	General	Road	Public Safety	Drain	Library Debt Retirement	Other Governmental Funds	Total Governmental Funds
REVENUE							
Taxes and assessments	\$ 3,629,401	\$ 2,572,265	\$ 22,348,948	\$ 920,006	\$ 1,716,300	\$ 3,327,707	\$ 34,514,627
Federal grants	110,059	-	78,506	-	-	-	188,565
State shared revenues	3,331,176	-	-	-	-	-	3,331,176
Charges for services	500,995	296	167,839	-	-	13,932	683,062
Licenses, permits and fees	24,644	33,431	18,806	-	-	1,714,095	1,790,976
Investment	753,500	-	-	-	-	7,005	760,505
Fines and forfeitures	2,273,621	-	-	-	-	41,616	2,315,237
Rent	710,332	-	-	-	-	-	710,332
Fees	-	-	-	-	-	146,627	146,627
Miscellaneous	64,886	576,499	127,523	-	34,220	656,931	1,460,059
TOTAL REVENUE	11,398,614	3,182,491	22,741,622	920,006	1,750,520	5,907,913	45,901,166
EXPENDITURES							
Operating							
Legislative	9,261	-	-	-	-	-	9,261
Judicial	2,029,673	-	-	-	-	-	2,029,673
General government	5,272,979	-	-	-	-	1,049,864	6,322,843
Public works	-	3,746,438	-	-	-	1,922	3,748,360
Public safety	411,604	-	20,908,699	-	-	374,722	21,695,025
Community enrichment and development	294,299	-	-	-	-	2,101,868	2,396,167
Other	742,447	-	-	-	590	3,262	746,299
Capital outlay	466,667	368,804	1,245,570	-	-	1,249,073	3,330,114
Debt service							
Principal retirement	-	-	-	64,383	425,000	428,148	917,531
Interest and fiscal charges	-	-	-	185,486	906,827	128,243	1,220,556
TOTAL EXPENDITURES	9,226,930	4,115,242	22,154,269	249,869	1,332,417	5,337,102	42,415,829
REVENUES OVER (UNDER) EXPENDITURES	2,171,684	(932,751)	587,353	670,137	418,103	570,811	3,485,337
OTHER FINANCING SOURCES (USES)							
Transfers in	-	500,000	-	-	-	500,000	1,000,000
Transfers out	(1,000,000)	-	-	-	-	-	(1,000,000)
TOTAL OTHER FINANCING SOURCES (USES)	(1,000,000)	500,000	-	-	-	500,000	-
NET CHANGE IN FUND BALANCES	1,171,684	(432,751)	587,353	670,137	418,103	1,070,811	3,485,337
FUND BALANCES, beginning of year	3,702,361	2,194,715	7,780,058	227,517	1,750,913	5,693,823	21,349,387
FUND BALANCES, end of year	\$ 4,874,045	\$ 1,761,964	\$ 8,367,411	\$ 897,654	\$ 2,169,016	\$ 6,764,634	\$ 24,834,724

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF BLOOMFIELD, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended March 31, 2006

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ 3,485,337**

Amounts reported for governmental activities in the statement of activities are different because:

Adjustments required to convert balances to full accrual basis from modified accrual basis.

Deduct: deposits and accrued expenses	(43,175)
Deduct: deferred revenue	(344,415)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	3,330,114
Deduct: depreciation expense	(2,400,220)
Deduct: disposals	(15,436)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net assets.

Add: debt transferred to enterprise fund	981,993
Add: principal payments on long term liabilities, net of forgiveness	917,531
Deduct: increase in the accrual for compensated absences	(59,180)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 5,852,549**

CHARTER TOWNSHIP OF BLOOMFIELD, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET & ACTUAL GENERAL FUND Year Ended March 31, 2006

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
REVENUE				
Taxes and assessments	\$ 3,572,000	\$ 3,572,000	\$ 3,629,401	\$ 57,401
Federal grants	97,000	97,000	110,059	13,059
State shared revenues	3,400,000	3,400,000	3,331,176	(68,824)
Charges for services	483,500	483,500	500,995	17,495
Licenses, permits and fees	13,000	13,000	24,644	11,644
Investment	240,000	240,000	753,500	513,500
Fines and forfeitures	1,977,500	1,977,500	2,273,621	296,121
Rent	708,200	708,200	710,332	2,132
Miscellaneous	40,000	40,000	64,886	24,886
TOTAL REVENUE	10,531,200	10,531,200	11,398,614	867,414
EXPENDITURES				
Operating				
Legislative	11,000	11,000	9,261	(1,739)
Judicial	2,128,000	2,128,000	2,029,673	(98,327)
General government	5,822,300	5,822,300	5,272,979	(549,321)
Public safety	170,000	170,000	411,604	241,604
Community enrichment and development	315,350	315,350	294,299	(21,051)
Other	631,400	631,400	742,447	111,047
Capital outlay	435,000	435,000	466,667	31,667
TOTAL EXPENDITURES	9,513,050	9,513,050	9,226,930	(286,120)
REVENUES OVER (UNDER) EXPENDITURES	1,018,150	1,018,150	2,171,684	1,153,534
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,000,000)	(1,000,000)	(1,000,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,000,000)	(1,000,000)	(1,000,000)	-
NET CHANGE IN FUND BALANCES	18,150	18,150	1,171,684	1,153,534
FUND BALANCES, beginning of year	3,702,361	3,702,361	3,702,361	-
FUND BALANCES, end of year	\$ 3,720,511	\$ 3,720,511	\$ 4,874,045	\$ 1,153,534

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF BLOOMFIELD, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET & ACTUAL ROAD FUND Year Ended March 31, 2006

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
REVENUE				
Taxes	\$ 2,560,000	\$ 2,560,000	\$ 2,572,265	\$ 12,265
Street lighting income	32,000	32,000	33,431	1,431
Road commission repayments	565,000	565,000	561,235	(3,765)
Sale of assets	20,000	20,000	13,435	(6,565)
Charges for services	1,000	1,000	296	(704)
Other revenues	10,000	10,000	1,829	(8,171)
TOTAL REVENUE	3,188,000	3,188,000	3,182,491	(5,509)
EXPENDITURES				
Salaries and wages	1,195,000	1,195,000	1,188,270	(6,730)
Payroll taxes	91,400	91,400	92,120	720
Life and health insurance	506,000	506,000	430,815	(75,185)
Retirement plan	245,000	245,000	243,622	(1,378)
Matching funds-road improvements	500,000	500,000	285,873	(214,127)
Street lighting/traffic signals	93,000	93,000	99,770	6,770
Workers compensation insurance	35,000	35,000	31,034	(3,966)
Sick pay accrual	11,000	11,000	26,159	15,159
Other employee fringe benefits	1,800	1,800	1,720	(80)
Office supplies	1,500	1,500	4,686	3,186
Operating supplies	22,000	22,000	25,228	3,228
Professional services	570,500	570,500	475,431	(95,069)
Communications	5,800	5,800	6,740	940
Transportation	283,500	283,500	375,890	92,390
Insurance and bonds	65,000	65,000	58,681	(6,319)
Repairs and maintenance supplies	361,200	361,200	347,393	(13,807)
Training expenses	3,000	3,000	3,597	597
Legal & advertising	1,500	1,500	1,605	105
Contracted repairs and maintenance	90,000	90,000	45,985	(44,015)
Miscellaneous	9,000	9,000	1,819	(7,181)
Capital outlay	223,200	223,200	368,804	145,604
TOTAL EXPENDITURES	4,314,400	4,314,400	4,115,242	(199,158)
REVENUES OVER (UNDER) EXPENDITURES	(1,126,400)	(1,126,400)	(932,751)	193,649
OTHER FINANCING SOURCES (USES)				
Transfers in	500,000	500,000	500,000	-
TOTAL OTHER FINANCING SOURCES (USES)	500,000	500,000	500,000	-
NET CHANGE IN FUND BALANCES	(626,400)	(626,400)	(432,751)	193,649
FUND BALANCES, beginning of year	2,194,715	2,194,715	2,194,715	-
FUND BALANCES, end of year	\$ 1,568,315	\$ 1,568,315	\$ 1,761,964	\$ 193,649

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF BLOOMFIELD, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET & ACTUAL PUBLIC SAFETY FUND Year Ended March 31, 2006

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
REVENUE				
Taxes	\$ 22,205,000	\$ 22,205,000	22,348,948	\$ 143,948
Liquor license rebates	13,000	13,000	18,806	5,806
Charges for services	190,000	190,000	167,839	(22,161)
Sale of assets	35,000	35,000	111,914	76,914
Federal grants	85,000	85,000	78,506	(6,494)
Other revenues	40,000	40,000	15,609	(24,391)
TOTAL REVENUE	22,568,000	22,568,000	22,741,622	173,622
EXPENDITURES				
Salaries and wages	11,168,000	11,168,000	10,775,812	(392,188)
Payroll taxes	853,400	853,400	818,184	(35,216)
Life and health insurance	5,110,000	5,110,000	5,062,935	(47,065)
Retirement plan	2,273,000	2,273,000	2,549,160	276,160
Workers compensation insurance	276,200	276,200	226,747	(49,453)
Sick pay accrual	142,000	142,000	114,002	(27,998)
Other employee fringe benefits	13,500	13,500	11,748	(1,752)
Office supplies	26,500	26,500	29,680	3,180
Operating supplies	186,900	186,900	162,652	(24,248)
Professional services	224,250	224,250	232,498	8,248
Communications	47,000	47,000	33,116	(13,884)
Transportation	395,600	395,600	314,211	(81,389)
Insurance and bonds	305,000	305,000	276,514	(28,486)
Repair and maintenance	117,300	117,300	153,512	36,212
Training expenses	75,500	75,500	53,708	(21,792)
Public utilities	55,000	55,000	64,101	9,101
EMS supplies	22,000	22,000	-	(22,000)
Miscellaneous	22,500	22,500	30,119	7,619
Capital outlay	1,137,615	1,137,615	1,245,570	107,955
TOTAL EXPENDITURES	22,451,265	22,451,265	22,154,269	(296,996)
NET CHANGE IN FUND BALANCES	116,735	116,735	587,353	470,618
FUND BALANCES, beginning of year	7,780,058	7,780,058	7,780,058	-
FUND BALANCES, end of year	\$ 7,896,793	\$ 7,896,793	\$ 8,367,411	\$ 470,618

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF BLOOMFIELD, MICHIGAN

STATEMENT OF NET ASSETS PROPRIETARY FUND March 31, 2006

	<u>Water & Sewer</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	
Unrestricted	\$ 536,277
Restricted	4,721,555
Receivables	
Oakland County	71,813
Customers	2,289,634
Other	696,202
Inventories	71,190
TOTAL CURRENT ASSETS	<u>8,386,671</u>
CAPITAL ASSETS	
Machinery and equipment	1,337,336
Investment in system	63,489,590
	<u>64,826,926</u>
Less accumulated depreciation	24,933,125
NET CAPITAL ASSETS	<u>39,893,801</u>
TOTAL ASSETS	<u>48,280,472</u>
LIABILITIES	
CURRENT LIABILITIES	
Payables and accrued expenses	1,678,418
Liens and unit charges	117,340
Due to Improvement and Revolving Fund	99,500
Current portion of long term debt	466,969
TOTAL CURRENT LIABILITIES	<u>2,362,227</u>
NONCURRENT LIABILITIES	
Long term debt due in more than one year	2,512,534
TOTAL LIABILITIES	<u>4,874,761</u>
NET ASSETS	
Invested in capital assets, net of related debt	38,673,959
Restricted	4,721,555
Unrestricted	10,197
TOTAL NET ASSETS	<u>\$ 43,405,711</u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF BLOOMFIELD, MICHIGAN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUND Year Ended March 31, 2006

	<u>Water & Sewer</u>
OPERATING REVENUES	
Water sales	\$ 7,425,453
Sewer usage	5,035,036
Debt service charges	341,719
Privilege fees	219,176
Tap sales	49,345
Meter material and service sales	130,164
Federal grants	37,305
Capital charges	51,411
TOTAL OPERATING REVENUES	<u>13,289,609</u>
DIRECT COSTS	
Water purchased	5,819,933
Treatment charges	3,952,748
Tap costs	44,497
Meter, materials and service costs	73,932
TOTAL DIRECT COSTS	<u>9,891,110</u>
OPERATING AND ADMINISTRATIVE EXPENSES	<u>4,336,193</u>
OPERATING LOSS	(937,694)
NONOPERATING REVENUES (EXPENSES)	
Interest	84,466
Miscellaneous	13,555
Interest	(136,627)
Transfer	(981,993)
TOTAL NONOPERATING REVENUES	<u>(1,020,599)</u>
INCOME BEFORE CONTRIBUTIONS	(1,958,293)
CONTRIBUTIONS FROM DEVELOPERS	<u>369,777</u>
CHANGE IN NET ASSETS	(1,588,516)
NET ASSETS, beginning of year, as originally stated	46,564,436
Prior period adjustment	<u>(1,570,209)</u>
NET ASSETS, beginning of year, as restated	44,994,227
NET ASSETS, end of year	<u><u>\$ 43,405,711</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF BLOOMFIELD, MICHIGAN

STATEMENT OF CASH FLOWS PROPRIETARY FUND Year Ended March 31, 2006

	<u>Water & Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 12,370,249
Receipts for miscellaneous	487,401
Payments to employees and suppliers	<u>(12,298,708)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	558,942
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Advances to County	(877,057)
Receipts from County	<u>233,176</u>
NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES	(643,881)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
General obligation contracts with County	
Principal payments	(310,251)
Interest and fiscal charges	(136,627)
Proceeds from transfer of capital assets	18,715
Purchase of capital assets	<u>(559,215)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(987,378)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	84,466
Miscellaneous	<u>13,555</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>98,021</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(974,296)
CASH AND CASH EQUIVALENTS, beginning of year	<u>6,232,128</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 5,257,832</u></u>
STATEMENT OF NET ASSETS CLASSIFICATION OF CASH	
Unrestricted	\$ 536,277
Restricted	<u>4,721,555</u>
TOTALS	<u><u>\$ 5,257,832</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF BLOOMFIELD, MICHIGAN

STATEMENT OF CASH FLOWS (CONCLUDED)

PROPRIETARY FUND

Year Ended March 31, 2006

	<u>Water & Sewer</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	\$ (937,694)
Adjustments to reconcile operating (loss to net cash provided by operating activities:	
Depreciation	1,405,707
(Increase) decrease in:	
Receivables from customers	(356,122)
Receivables from miscellaneous	(3,987)
Inventories	4,924
Increase (decrease) in:	
Accounts payable and accrued expenses	517,964
Due to Improvement & Revolving Fund	(68,200)
Deferred revenue	<u>(3,650)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 558,942</u></u>

NONCASH CAPITAL FINANCING ACTIVITIES

Capital assets of \$369,777 were acquired through contributions from developers.

Transfer of debt of \$981,993 from CSO Debt fund.

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF BLOOMFIELD, MICHIGAN

**STATEMENT OF NET ASSETS
FIDUCIARY FUNDS**

	<u>Defined Contribution Plan</u>	<u>Retirement System Pension Trust</u>	<u>Agency Fund</u>
	<u>March 31, 2006</u>	<u>December 31, 2005</u>	<u>March 31, 2006</u>
ASSETS			
Cash	\$ -	\$ -	\$ 2,287,045
Investments			
Mutual funds	6,061	-	-
Insurance company guaranteed investment mutual fund	-	75,585,890	-
Insurance company stock mutual funds	-	20,732,260	-
TOTAL ASSETS	6,061	96,318,150	2,287,045
LIABILITIES			
Employees' compensated absences	-	-	1,532,281
Accounts payable and withholdings	-	-	3,939
Deposits and other liabilities			
Escrow deposits	-	-	212,972
Developer deposits	-	-	293,516
Other	-	-	244,337
TOTAL LIABILITIES	-	-	2,287,045
NET ASSETS			
Held in trust for pension benefits	6,061	96,318,150	-
TOTAL NET ASSETS	\$ 6,061	\$ 96,318,150	\$ -

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF BLOOMFIELD, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS RETIREMENT PLANS

	Defined Contribution Plan	Retirement System Pension Trust
	March 31, 2006	December 31, 2005
ADDITIONS		
Interest income	\$ -	\$ 3,908,481
Contributions	5,789	4,088,722
Increase in fair value	272	1,935,516
TOTAL ADDITIONS	6,061	9,932,719
DEDUCTIONS		
Distributions	-	5,291,806
Administrative fees	-	100,808
TOTAL DEDUCTIONS	-	5,392,614
CHANGE IN NET ASSETS	6,061	4,540,105
NET ASSETS, beginning of year	-	91,778,045
NET ASSETS, end of year	<u>\$ 6,061</u>	<u>\$ 96,318,150</u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF BLOOMFIELD

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Charter Township of Bloomfield (the "Township") are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township.

A. Financial Reporting Entity

1. Description of Reporting Entity

The Charter Township of Bloomfield, County of Oakland, State of Michigan was organized in 1827 as a common law township and was known as Bloomfield Township until September 13, 1993. On September 13, 1993, the Township's Board of Trustees incorporated the Township and it is now known as the Charter Township of Bloomfield, Michigan.

The Township covers an area of approximately 25 square miles. Operations are governed by an elected board of seven trustees, including a full time supervisor, clerk and treasurer. The Township's government provides law enforcement, public safety, fire protection, justice administration, water and sewer and community development services to approximately 44,500 residents.

In accordance with GAAP and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Township (the primary government) and its component unit, an entity for which the Township is considered to be financially accountable. The Component unit discussed below is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township.

2. Discretely Presented Component Unit – Bloomfield Township Public Library

The Bloomfield Township Public Library (the "Library") was organized in 1963. The Library operates under an autonomous library board and provides library services to the residents of the Township. The Library Board is required to report to the Township Board of Trustees regarding the expenditures of funds and other information about Library operations. The Library may not issue debt or levy a tax without the approval of the Township's Board of Trustees. If approval is granted, the Library taxes are levied under the taxing authority of the Township, as approved by the Township's electors, and would be included as part of the Township's total tax levy as well as reported in a Library revenue fund. Financial statements of the Library may be obtained from the Township's Clerk's office.

3. Bloomfield Village Association

Bloomfield Village Association (the "Association") (presented as "Bloomfield Village" in the financial statements) is a subdivision association located within the Township. Residents who live within the Association's boundaries have consented to be a special assessment district within the Township. The special assessment is to provide extra police and fire services to the residents of the Association over and above the Township's general public safety services. This assessment activity is shown as special revenue funds of the Township. This is not a component unit of the Township.

CHARTER TOWNSHIP OF BLOOMFIELD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental* activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component* units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

To be in compliance with any newly adopted pronouncements from GAAP or the Governmental Accounting Standards Board (GASB) future periods may require reclassifications and prior period adjustments.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

CHARTER TOWNSHIP OF BLOOMFIELD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The government reports the following major governmental funds:

General

The *General fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Road

The *Road fund* is a special revenue fund which provides street improvement and maintenance services to the Township's residents.

Public Safety

The *Public Safety fund* is a special revenue fund to account for a tax levy for the purpose of providing police and fire protection services to the Township residents.

Drain at Large

The *Drain at Large fund* is a debt service fund used to collect funds for retirement of debt related to construction, repair, and maintenance of drains.

Library Debt Retirement

The *Library Debt Retirement fund* is a debt service fund used to collect funds for retirement of debt related to library construction bonds.

The government reports the following major proprietary funds:

Water and Sewer

The *Water and Sewer fund* accounts for the activities of the government's water distribution, sewage disposal and related treatment systems.

Additionally, the government reports the following other fund types:

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

The *debt service fund* is used to account for the accumulation of resources for and the payment of principal and interest on long term general obligation debt of governmental funds not being financed by proprietary funds.

The *retirement system pension trust* is used to account for pension assets reserved for future pension obligations.

The *agency funds* account for assets held for other governments in an agency capacity.

CHARTER TOWNSHIP OF BLOOMFIELD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Fund Equity

1. Cash, Cash Equivalents and Investments

- a. For purposes of the statement of cash flows, demand deposits and short-term investments with an original maturity of three months or less are considered to be cash equivalents. In addition, the statement of cash flows includes both restricted and unrestricted cash and cash equivalents.
- b. Investments are stated at fair value based on quoted market prices.

CHARTER TOWNSHIP OF BLOOMFIELD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

1. Cash, Cash Equivalents and Investments (Continued)

- c. Investment income from cash and cash equivalents is assigned to the water and sewer fund based on the average amount invested by this fund during the year. The remainder of the investment income is assigned to the general fund. Income is recorded when received which is not materially different from the modified accrual basis.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

3. Inventory

Inventory is recorded at the lower of cost or market, with cost determined on a first-in, first-out basis. Market is based on the lower of replacement cost or realizable value. Inventory, which consists of materials and supplies, are recorded as expenditures (in the governmental fund types) and expenses (in the proprietary fund type) when used.

4. Prepaid Items

Prepaid items are costs incurred during the current fiscal year for which benefit will be received in a future fiscal year and are recorded in both the government-wide and fund financial statements.

5. Restricted Assets

In the Special Revenue, Debt Service and Water and Sewer Funds certain resources set aside for the repayment of bonds are classified as restricted assets on the balance sheet or statement of net assets because their use is limited by applicable bond covenants. Also, certain resources of the Water and Sewer Fund have been set aside to fund capital asset replacements.

6. Capital Assets

Capital assets of all funds and the component unit are stated at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Capital assets, which include property, plant equipment and infrastructure assets (e.g., sidewalks and drains) are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives are not capitalized.

CHARTER TOWNSHIP OF BLOOMFIELD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

6. Capital Assets (Continued)

Interest costs are incurred by the proprietary fund when debt proceeds are used to finance the construction of assets. It is the Township's policy that such costs be expensed rather than capitalized as part of the cost of the assets constructed.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	15
Buildings	40
Vehicles	3-20
Machinery & Equipment	10
Infrastructure & Water and Sewer System Improvements	15-50

7. Long term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long term debt and other non-current obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Compensated Absences and Sick Pay Funding

Full-time permanent employees are granted vacation and sick pay benefits in varying amounts up to specified maximums depending on tenure and/or department with the Township. Township employees have the option of accumulating earned and unused sick and vacation pay. There are certain limits on the amount of sick and vacation pay which can be accumulated; these limits vary and depend on tenure and/or department. Employees are entitled to their accrued vacation leave and, in certain circumstances, a portion of their sick pay upon termination. Employees are entitled to a portion of their sick pay balance upon retirement.

CHARTER TOWNSHIP OF BLOOMFIELD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

8. Compensated Absences and Sick Pay Funding (Continued)

Each year, cash is transferred to the Sick Pay Agency Fund for accumulated sick pay at the end of the fiscal year. The sick pay liability is reported as a compensating balance to the cash restricted in the fund for payment of sick pay benefits.

As of March 31, 2006, accrued payroll taxes on sick pay, and accrued vacation pay were not funded. Consequently, these unfunded amounts are shown as a liability for employees compensated absences and are included in long term liabilities on the government-wide financial statements.

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

10. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

11. Reclassifications

Certain amounts in the Library's (Component Unit) financial statements have been reclassified in order to conform to the presentation of the Township's (Reporting Entity) financial statements.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The Board of Trustees holds budget hearings in November and a final budget must be adopted prior to April 1. The budget document presents information by fund, function, department and line items. The budgets for which budgets are required are adopted on a fund basis.

Encumbrance accounting is not employed in governmental funds. If encumbrance accounting was employed, encumbrances (e.g., purchase orders, contracts) outstanding at year end would be reported as reservations of fund balances and would not constitute expenditures or liabilities because the goods or services had not been received as of year end; the commitments would be reappropriated and honored during the subsequent year.

Instead, amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

CHARTER TOWNSHIP OF BLOOMFIELD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

III. CASH, CASH EQUIVALENTS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated six banks for the deposit of Township funds. The investment policy adopted by the board has authorized investment in the certificates of deposit of local banks, bonds, securities and other direct obligations of the United States, certain fixed income securities, and United States Treasury bills but not the remainder of the State statutory authority as listed above.

The Township's retirement system investments are held in trust by the investment fiduciary, Connecticut General Life Insurance Company. Michigan Compiled Laws, Section 38.1132, authorizes the Township's retirement system to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contract obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types depending on the size of the system. However, all of the Township's retirement system investments are in an insurance mutual fund or in insurance company separate accounts, which do not have maturity dates and credit ratings.

At year-end, the Local Unit's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Cash & Cash Equivalents	\$6,227,045	\$5,257,832	\$2,287,045	\$13,771,922	6,846,285
Investments	<u>19,130,445</u>	<u>-</u>	<u>-</u>	<u>19,130,445</u>	<u>19,463,919</u>
Total	<u>\$25,357,490</u>	<u>\$5,257,832</u>	<u>\$2,287,045</u>	<u>\$32,902,367</u>	<u>\$26,310,204</u>

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. The bank balance of the primary government's deposits is \$29,154,058 of which \$500,000 is covered by federal depository insurance and the remainder of 28,654,058 is uninsured and uncollateralized. The component units' deposits had a bank balance of \$9,229,400 that was uninsured and uncollateralized.

CHARTER TOWNSHIP OF BLOOMFIELD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

III. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Credit Risk

State law limits investments in commercial paper to the two highest classifications rated by the two standard rating agencies. Furthermore, the Township's investment policy states that investments in fixed income securities must be AAA rated by Standard & Poor's, have maturities of five years or less, be readily marketable issues, and have significant trading volume within a continuous market and are within the parameters of MCL 41.77 and MCL 129.91. The following is an illustration, with the level of investment displayed as a percentage of total investments exposed to credit risk.

Credit Quality Distribution of Securities With Credit Exposure as a Percentage of Total Investments

Primary Government Investment

Fixed income mutual funds	AAA	100%
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Component Unit Investment

Money market	A-1	3%
U.S. agency securities	AAA	38%
U.S. treasury securities	AAA	59%

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. As a means of limiting its exposure to fair value losses arising from interest rates, the Township's investment policy restricts investment maturities of fixed income securities to five years or less. At year end, the Township had the following investments and maturities.

Investment Maturities (in Years)

<u>Primary Government Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 – 5</u>
U.S. treasuries	\$ 978,059	\$ 978,059	\$ -
Fixed income mutual funds*	3,152,386	618,389	2,533,997

* Determined based on the average weighted duration of the mutual fund

Component Unit Investment Type

Money market	\$ 518,948	\$ 518,948
U.S. agency securities	6,141,169	6,141,169
U.S. treasury securities	9,345,696	9,345,696

CHARTER TOWNSHIP OF BLOOMFIELD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

IV. RECEIVABLES

Receivables as of year-end for the government's individual major, non-major and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Road	Public Safety	Drain	Library Debt Retirement	Water & Sewer	Non-Major & Other	Total
Taxes Receivable	\$2,143,083	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,143,083
Accounts Receivable	1,310,488	13,872	2,624	-	-	2,289,634	208,557	3,825,175
Special Assessments	-	-	-	-	22,450,000	-	-	22,450,000
Intergovernmental	488,152	-	-	-	-	(99,500)	99,500	488,152
Interest & Other	-	-	2,176	-	-	768,015	3,910	774,101
Gross Receivables	-	-	-	-	-	-	-	-
Less: Allowance for Uncollectibles	-	-	-	-	-	-	-	-
Net Receivables	<u>\$ 3,941,723</u>	<u>\$ 13,872</u>	<u>\$ 4,800</u>	<u>\$ -</u>	<u>\$22,450,000</u>	<u>\$ 2,958,149</u>	<u>\$ 311,967</u>	<u>\$29,680,511</u>

Government funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Accounts Receivable	-	\$ 245,144
Total	-	\$ 245,144

CHARTER TOWNSHIP OF BLOOMFIELD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

V. CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 828,648	-	-	\$ 828,648
Subtotal	<u>828,648</u>	<u>-</u>	<u>-</u>	<u>828,648</u>
Capital Assets Being Depreciated				
Buildings	18,114,177	255,088	-	18,369,265
Improvements Other Than Buildings	8,250,578	1,219,260	-	9,469,838
Machinery and Equipment	15,080,627	1,855,768	(569,307)	16,367,088
Infrastructure	<u>11,583,010</u>	<u>1,114,389</u>	<u>-</u>	<u>12,697,399</u>
Subtotal	53,028,392	4,444,505	(569,307)	56,903,590
Less Accumulated Depreciation for				
Buildings	6,606,962	455,969	-	7,062,931
Improvements Other Than Buildings	2,733,619	579,293	-	3,312,912
Machinery and Equipment	10,018,607	1,111,011	(553,871)	10,575,747
Infrastructure	<u>4,799,686</u>	<u>253,948</u>	<u>-</u>	<u>5,053,634</u>
Subtotal	<u>24,158,874</u>	<u>2,400,221</u>	<u>(553,871)</u>	<u>26,005,224</u>
Net Capital Assets Being Depreciated	<u>28,869,518</u>	<u>2,044,284</u>	<u>(15,436)</u>	<u>30,898,366</u>
Governmental Activities Total				
Capital Assets – Net of Depreciation	<u>\$29,698,166</u>	<u>\$ 2,044,284</u>	<u>\$ (15,436)</u>	<u>\$31,727,014</u>
Business-Type Activities				
Capital Assets Being Depreciated				
Improvements to systems	\$34,571,245	\$ 738,308	\$ -	\$35,309,553
Machinery and Equipment	1,221,818	190,684	(75,166)	1,337,336
Township Share of County Sewers	<u>28,180,037</u>	<u>-</u>	<u>-</u>	<u>28,180,037</u>
Subtotal	63,973,100	928,992	(75,166)	64,826,926
Less Accumulated Depreciation for				
Improvements to systems	13,219,165	487,778	-	13,706,943
Machinery and Equipment	585,149	150,678	56,451	679,376
Township Share of County Sewers	<u>9,779,555</u>	<u>767,251</u>	<u>-</u>	<u>10,546,806</u>
Subtotal	<u>23,583,869</u>	<u>1,405,707</u>	<u>56,451</u>	<u>24,933,125</u>
Net Capital Assets Being Depreciated	<u>40,389,231</u>	<u>(476,715)</u>	<u>(18,715)</u>	<u>39,893,801</u>
Business-type Activities Total				
Capital Assets – Net of Depreciation	<u>\$40,389,231</u>	<u>\$ (476,715)</u>	<u>\$ (18,715)</u>	<u>\$39,893,801</u>

CHARTER TOWNSHIP OF BLOOMFIELD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

V. CAPITAL ASSETS (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General Government	\$ 857,287
Public Safety	672,840
Public Works	813,013
Community Enrichment and Development	<u>57,081</u>
Total Governmental Activities	<u>\$ 2,400,221</u>
Business-Type Activities	
Water & Sewer	<u>\$ 1,405,707</u>

Capital asset activity of the Component Unit was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 131,015	\$ -	\$ -	\$ 131,015
Construction in process	<u>889,002</u>	<u>4,444,156</u>	<u>-</u>	<u>5,333,158</u>
Subtotal	1,020,017	4,444,156	-	5,464,173
Capital assets being depreciated:				
Building	5,483,520	-	-	5,483,520
Furniture and equipment	2,298,007	77,095	(130,366)	2,244,736
Library books and audiovisual materials	<u>2,964,967</u>	<u>851,324</u>	<u>(736,338)</u>	<u>3,079,953</u>
Subtotal	10,746,494	928,419	(866,704)	10,808,209
Less accumulated depreciation	<u>(4,647,523)</u>	<u>(747,710)</u>	<u>853,926</u>	<u>(4,541,307)</u>
Net capital assets being depreciated	<u>6,098,971</u>	<u>180,709</u>	<u>(12,778)</u>	<u>6,266,902</u>
Net capital assets	<u>\$ 7,118,988</u>	<u>\$ 4,624,865</u>	<u>\$ (12,778)</u>	<u>\$11,731,075</u>

Capital assets, including library books, are recorded at cost. Depreciation expense was \$747,710 for the year ended March 31, 2006.

The Library is in the construction phase of its "Library Improvements Project" as of March 31, 2006. This project includes a complete renovation of the existing facility and a major addition. The project, which is expected to go through 2008, is being funded with proceeds from bonds issued by Bloomfield Township totaling \$22,875,000. The Township has levied .4900 mills to pay the debt service related to these bonds.

CHARTER TOWNSHIP OF BLOOMFIELD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

VI. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The Township reports interfund balances between many of its funds. The sum of all balances presented in the tables below agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds and proprietary funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

	<u>Receivable</u>	<u>Payable</u>
Due from/to other funds:		
General Fund	\$ 488,152	\$ -
Non-major Governmental Funds	99,500	-
Water and Sewer Fund	-	99,500
Intergovernmental	-	488,152
	<u>\$ 587,652</u>	<u>\$ 587,652</u>
	<u>Transfers In</u>	<u>Transfers Out</u>
Interfund transfers		
General Fund	\$ -	\$ 1,000,000
Road Fund	500,000	-
Non-major Governmental Funds	500,000	-
	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Effective September 30, 2005, the Board of Trustees approved the elimination of a special assessment district originally created to pay for the costs associated with the construction of Bloomfield Village Retention Treatment Basin based upon storm, sanitary and sewer rehabilitation components. The Township and The Water Bureau of the Department of Environmental Quality (DEQ) entered into a Second Amended Consent Order on December 10, 2004, to commence corrective actions to resolve town outlet capacity issues that may be contributing to sanitary sewer overflows. Previous to this agreement, the Township was mandated to control only the overflows from the combined sewer collection system from which approximately 84% of the flow contribution was from storm water runoff. The Board of Trustees approved the substitution in lieu of the special assessment district, an increase in the millage payable in the drains at large fund with respect to the 84% storm component and an amended sewer rate ordinance to raise sewer rates to cover the remaining 16% of the debt retirement, approximately \$981,993.

CHARTER TOWNSHIP OF BLOOMFIELD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

VII. LONG TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities							
County Drain Contracts	2-7%	2025	\$ 2,796,509	\$ 6,269,721	\$ (64,383)	\$ 9,001,847	\$ 612,782
County combined sewer overflow bond	2-6%	2016	6,565,465	-	(6,565,465)	-	-
Library Construction bond	2-5%	2025	22,875,000	-	(425,000)	22,450,000	600,000
Employees compensated absences	-	N/A	<u>814,785</u>	<u>59,180</u>	<u>-</u>	<u>873,965</u>	<u>-</u>
Total Governmental Activities			<u>\$33,051,759</u>	<u>\$ 6,328,901</u>	<u>\$ (7,054,848)</u>	<u>\$32,325,812</u>	<u>\$ 1,212,782</u>
Business-Type Activities							
County water & contracts	2-7%	2016	<u>2,307,761</u>	<u>981,993</u>	<u>(310,251)</u>	<u>2,979,503</u>	<u>466,969</u>
Total Business-Type Activities			<u>\$ 2,307,761</u>	<u>\$ 981,993</u>	<u>\$ (310,251)</u>	<u>\$ 2,979,503</u>	<u>\$ 466,969</u>

CHARTER TOWNSHIP OF BLOOMFIELD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

VII. LONG TERM DEBT (Continued)

Annual debt service requirements to maturity for the above obligations are as follows:

Year End March 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2007	\$1,212,782	\$ 1,151,150	\$ 466,969	\$ 110,991
2008	1,314,000	1,131,397	461,003	95,763
2009	1,454,906	1,089,581	397,570	70,020
2010	1,528,829	1,043,744	265,120	57,740
2011	1,649,535	992,392	229,314	48,527
2012 – 2016	9,346,800	4,002,025	1,047,859	108,747
2017 – 2021	8,017,616	2,221,759	111,668	9,799
2022 – 2026	<u>6,927,379</u>	<u>615,266</u>	<u>-</u>	<u>-</u>
	<u>\$31,451,847</u>	<u>\$12,247,314</u>	<u>\$ 2,979,503</u>	<u>\$ 501,587</u>

VIII. PRIOR PERIOD ADJUSTMENTS

A. Governmental Activities

The Township approved the elimination of the special assessment district and the related remaining receivable of \$6,565,472, which was originally created to pay for the costs associated with the construction of the Bloomfield Village Retention Treatment Basin. The Board of Trustees approved the substitution of an increase in the millage rate and sewer rates to pay for the related debt.

B. Business-Type Activities

The Township is restating to record depreciation expense attributable to previous years.

IX. COMMITMENTS

A. Franchise Agreement

The Township has entered into an agreement with Comcast under which it granted that company a non-exclusive franchise to provide cable television services in the Township. This agreement, which expires October 14, 2014, provides that the cable provider pay an annual franchise fee of 5% of gross annual revenues to the Township. Total franchise fees recognized under this agreement during the current year were \$544,629.

B. Lessor Agreements

The General Fund rents the use of the Courthouse under a lease expiring October 31, 2016, to the State of Michigan 48th Judicial District Court. Rent income for the year was \$511,216.

The General Fund leases land for mobile telecommunications broadcast towers under five separate agreements. Two of these agreements expire July 31, 2007, and require annual rental payments of \$16,405 each. The other three agreements expire November 30, 2007, and require annual rental payments of \$17,729 each. These agreements all have predetermined extension terms.

CHARTER TOWNSHIP OF BLOOMFIELD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

IX. COMMITMENTS (Continued)

C. Lessor Agreements (Continued)

Lease commitments, for lease income, for the next five years ending March 31 are as follows:

	<u>General</u>
2007	\$ 597,213
2008	511,216
2009	511,216
2010	511,216
2011	<u>511,216</u>
	<u>\$ 2,642,077</u>

D. Lessee Agreements

The Township has entered into a triple net lease agreement with BFD Office Associates, LLC to lease facilities for Adult Day Care Service. The lease term began on February 1, 2006, and will end respectively on either January 31, 2011, or 63 months after the date of commencement. No rent was due for the first three months followed by monthly rent payments of \$4,300. Rent expense for the year was \$0.

The Township has entered into an agreement with Bloomfield Hills Schools to lease facilities for the Greater Bloomfield Senior Association. This lease agreement will end on April 30, 2010, and requires an annual rental payment of \$1.

Lease commitments for the next five years ending March 31 are as follows:

	<u>Senior Services</u>
2007	\$ 47,301
2008	51,601
2009	51,601
2010	51,601
2011	<u>51,600</u>
	<u>\$ 253,704</u>

E. Interfund Lease Agreements

The Cable Television Special Revenue Fund used a Township owned building and automobile. The General Fund is reimbursed for the use. This agreement is cancelable at any time. Rental expenses related to this agreement were \$115,000 for the year ended March 31, 2006.

The Water and Sewer Fund leases Township owned computer equipment. The General Fund is reimbursed for the use. This agreement is cancelable at any time. Rental expenses related to this agreement were \$6,000 for the year ended March 31, 2006.

CHARTER TOWNSHIP OF BLOOMFIELD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

X. RETIREMENT PLAN – PENSION TRUST

A. Plan Description

The Township contributes to the Township of Bloomfield Retirement Income Plan (the “Plan”), which is a single-employer defined benefit plan. It is the responsibility of the Township pension employees’ retirement system (PERS) to function as the investment and administrative agent for the Township with respect to the pension plan. A stand-alone financial report of the plan has not been issued. Information shown for the plan is as of January 1, 2006, the date of the plan’s latest actuarial valuation.

Based on state statutes, all full-time employees must be allowed to participate in city or municipal pension plans. However, as a defined contribution plan was created and effective April 1, 2005, new hires are no longer allowed to participate in the defined benefit plan. Under the provision of the Township’s pension plan, pension benefits vest after eight years of full-time employment, except for the Township’s police officers who vest after ten years of service. The plan pays upon retirement a benefit (depending on department) of 2.1 to 2.85% of final yearly earnings multiplied by years of credited service. Maximum benefits vary by department and tenure and range from 80 to 100% of final earnings. Retirement ages also vary by department and range from age 52 to age 55. Employees are also eligible for early retirement at reduced benefits. Retirement plan benefits for some departments are negotiated as part of collective bargaining agreements and may vary pursuant to these agreements.

Membership in the Plan consisted of the following at January 1, 2006, the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	197
Terminated and inactive plan members entitled to but not yet receiving benefits	21
Active plan members	<u>273</u>
Total	<u>491</u>

B. Basis of Accounting

The Plan’s financial statements are prepared using information as of December 31, 2005, which approximates the date of the plan’s latest actuarial report. The plan’s financial statements include contributions received and benefits paid through that date.

C. Method Used to Value Investments

The Plan’s investments are in the general accounts or mutual funds of a life insurance company and are reported at stated market value. Administrative fees are paid from investment earnings.

D. Funding Policy

The obligation to contribute to and maintain the Plan for the Township’s employees was established by Board resolution.

Under provisions of the Plan, Library and Bloomfield Village Police Department employees contribute 5% of their gross earnings to the pension plan. All other employees may contribute between 1% and 2% of their gross earnings to the Plan. In addition, the Township must provide annual contributions sufficient to satisfy the actuarially determined contribution requirements as mandated by the Plan.

CHARTER TOWNSHIP OF BLOOMFIELD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

X. RETIREMENT PLAN – PENSION TRUST (Continued)

E. Annual Pension Cost

For plan year 2005, the Township's annual pension cost of \$3,830,704 was equal to the Township's required and actual contributions. The required contribution was determined as part of a January 1, 2005, actuarial valuation using the aggregate cost actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return, (b) projected salary increase of 5% per year, (c) cost of living adjustment of 1.00% and (d) estimated expenses of 2% of benefits payable over future years. Assets are invested in the general accounts or mutual funds of an insurance company and are valued at the stated contract value (the sum of contributions plus interest less withdrawals). The aggregate actuarial cost method generally does not identify and separately amortize unfunded actuarial liabilities.

F. Three-Year Trend Information

<u>Year Ended December 31</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2003	\$2,577,674	100%	-0-
2004	\$3,381,768	100%	-0-
2005	\$3,830,704	100%	-0-

G. Contributions Required and Contributions Made

Total contributions to the pension plan for the plan year beginning January 1, 2005, amounted to \$4,088,722, of which \$3,830,704 and \$258,018 were made by the Township and its employees, respectively. The contributed amounts were actuarially determined as described above and were based on an actuarial valuation as of January 1, 2006. The pension contributions represent funding for normal cost. Contributions made by the Township and its employees represent 24.9% and 1.4%, respectively, on covered payroll of \$15,605,296 for the 2005 calendar year.

Significant actuarial assumptions used to compute pension contribution requirements are the same as those used to determine the standardized measure of the pension obligation.

XI. RETIREMENT PLAN – DEFINED CONTRIBUTION PLAN

A. Plan Description

The Charter Township of Bloomfield 401(a) Plan is a defined contribution pension plan established by the Township to provide benefits at retirement for eligible employees. The plan was effective April 1, 2005, for new hires by the Township. At March 31, 2006, there were 6 plan members. A stand-alone financial report of the plan has not been issued.

B. Contributions Required and Contributions Made

The Township may make discretionary contributions of not more than 10% of the total compensation for all active participant plan members except collectively bargained employees. Township contributions for collectively bargained employees will be made in accordance with their respective collective bargaining agreements. Contributions are to be made each December. In December, 2005, a contribution in the amount of \$5,789 was made to the plan.

CHARTER TOWNSHIP OF BLOOMFIELD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

XII. DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The plan, available to all Township employees, permits them to defer a portion of their current salary until the employee's termination, retirement, death, or unforeseeable emergency.

As required by GASB 32, this plan's assets are held in a separate trust and thus, are not included in the financial statements of the Township.

XIII. OTHER POSTEMPLOYMENT BENEFITS

In addition to the retirement benefits described in Note X and XI, the Township provides health and life insurance to employees who retire after attaining age 55 and who have at least 8 years of service. Retiring police officers are eligible at age 52 after 10 years of service. Some of these benefits are required in accordance with applicable employment contracts. Currently, 160 retirees meet the eligibility requirements. Expenditures for these benefits were approximately \$2,018,661 for the year ended March 31, 2006. The Township's obligation for benefits is limited to the term of the contract with each employee bargaining unit. The Township is obligated for the benefits provided to current retirees for the duration of their retirement. The Township uses the pay-as-you-go method of funding.

XIV. CONTINGENCIES

A. Litigation

The Township is a defendant in a number of lawsuits arising principally in the normal course of operations. In the opinion of the management, the outcome of these lawsuits will not have a material adverse effect on the accompanying financial statements and accordingly, no provision for losses has been recorded.

XV. OTHER INFORMATION

A. Risk Management

The Township is exposed to risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township manages its risk exposures and provides certain employee benefits through a combination of risk management pools, commercial insurance policies and excess coverage policies. Following is a summary of the Township's risk management.

The Township participates with the Michigan Municipal Risk Management Authority (MMRMA), a self-insured association with a membership of approximately 270 Michigan local governmental units, for general and automobile liability, motor vehicle physical damage, judicial tenure defense and property damage coverages. Members include cities, counties, townships and special purpose governments. The MMRMA is organized under the laws of the State of Michigan and is governed by a Board of Directors elected by the membership. The MMRMA provides risk management, claims administration, legal defense and reinsurance services to its members.

The Township makes annual contributions to MMRMA based upon underwriting criteria and guidelines approved by the Board of Directors of MMRMA. Underwriting guidelines may be based upon net operating expenditures, number of employees, size of payroll, size and complexity of operations, loss experience, loss control efforts and any other relevant risk related criteria. These contributions are paid from the Township's General Fund and costs are allocated to the Township's other Funds.

CHARTER TOWNSHIP OF BLOOMFIELD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

XV. OTHER INFORMATION (Continued)

A. Risk Management (Continued)

Contributions received by MMRMA to pay administrative expenses, excess insurance, stop loss insurance, reinsurance and all other necessary MMRMA obligations are paid into the MMRMA General Fund. The Board of Directors of MMRMA has also established a minimum amount of funds each member must maintain on deposit with MMRMA.

The Member's Funds on Deposit are used to pay losses and allocated loss adjustment costs that fall within the Township's self-insured retention limits along with certain other member specific costs.

Accordingly, the Township records in the General Fund an asset for funds on deposit in the member retention fund of the MMRMA and a liability for incurred claims and allocated claims adjustments not paid as estimated by MMRMA. At March 31, 2006, the balance of the Township's funds payable in the Member Retention Fund of the MMRMA was \$4,944 and the claims incurred and allocated claims adjustment accrued was \$170,538.

The Township's self-insured retention limits must be fully satisfied before the MMRMA will assume any responsibility for payment of losses. The Township participates in MMRMA's Stop Loss Program. The stop loss program limits the self-insured retention limit payments made on behalf of the Township in the MMRMA's fiscal year. The Township's aggregate cash payments for its self-insured retention limited obligations must exceed \$309,000 before the stop loss program will become responsible for making further self-insured retention limit payments on behalf of the Township. The Township's self-insured retention limits are as follows:

<u>Coverage</u>	<u>Self-Insured Retention</u>
Liability	\$75,000
Vehicle Physical Damage \$1,000 Member deductible	\$15,000 per vehicle \$30,000 per occurrence
Property and Crime \$1,000 deductible per occurrence	10% of the next \$100,000
Employee Benefits – Commercial Insurance Provider	
Workers' Compensation – Commercial Insurance Provider	

At March 31, 2006, there were no claims which exceeded insurance coverage for any of the past five fiscal years. The Township had no significant reduction in insurance coverage from previous years.

The Township has an experience-rated group health insurance reserve for the employee health care benefit plan.

The insurance carrier maintains a separate Premium Stabilization Reserve (PSR) in addition to the carrier's insurance reserves funded and maintained pursuant to applicable insurance laws and sound underwriting practice.

The PSR is funded with experience-rated margins from the insurance carrier. Interest earned on the PSR is used to offset the carrier's cost of maintaining the Plan.

CHARTER TOWNSHIP OF BLOOMFIELD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

March 31, 2006

XV. OTHER INFORMATION (Continued)

A. Risk Management (Continued)

The PSR may be reduced in any policy year for the excess claims paid, reserve adjustments and expenses including (risk charges over) premiums paid, and any premium increases that would otherwise be funded by the Township.

The carrier determines the PSR balance yearly. This balance decreases or increases in value depending on claims paid in comparison to premiums. Any decrease or increase is booked directly to the reserve and has no impact on the Township's financial statements.

Library

The Library is exposed to risks of loss related to theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library's general liability and property damage insurance is included in the Township's plan. Employee benefits and workers' compensation is obtained through commercial insurance providers through the Township.

At March 31, 2006, there were no claims which exceeded insurance coverage for any of the past four fiscal years. The Library had no significant reduction in insurance coverage from previous years.

B. Property Taxes

a. Property taxes are assessed as of December 31 and the resulting property taxes become a lien on December 1 of the following year for the township taxes.

b. The tax levy dates and the budget years are as follows:

<u>Budget Year</u>	<u>Tax Levy Date</u>
County – July 1, 2005 through June 30, 2006	7-1-05
Township – April 1, 2005 through March 31, 2006	12-1-05

c. The 2005 tax levy is summarized as follows:

	<u>Taxable Value</u>	<u>Rate Per \$1,000</u>	<u>Levy</u>
Township			
General	\$ 3,531,875,030	1.2559	\$ 4,436,523
Public safety – voted	\$ 3,531,875,030	6.3154	22,309,434
Roads – voted	\$ 3,531,875,030	.7269	2,567,807
Library-operating – voted perpetual	\$ 3,531,875,030	1.9643	6,938,978
Drain debt service	\$ 3,531,875,030	.0260	918,462
Safety Path	\$ 3,531,875,030	.4906	2,101,864
Total Township		<u>10.7791</u>	<u>\$39,273,068</u>

CHARTER TOWNSHIP OF BLOOMFIELD

NOTES TO FINANCIAL STATEMENTS (CONCLUDED)

March 31, 2006

XV. OTHER INFORMATION (Continued)

B. Property Taxes (Continued)

	<u>SEV</u>	Rate Per <u>\$1,000</u>	<u>Levy</u>
Special assessments			
Bloomfield Village Association			
Fire	\$ 314,128,430	.2960	\$ 92,996
Police	\$ 314,128,430	<u>1.1870</u>	<u>372,929</u>
Total Bloomfield Village		<u>1.4830</u>	<u>\$ 465,925</u>

- d. In August 2001, the Township entered into an agreement for conditional transfer of property (under Public Act 425 of 1984, as amended) with the City of Birmingham, a Michigan Municipal Corporation. The Act enables two local units of government to conditionally transfer property by agreement for the purpose of economic development. Under the Agreement, the transferred area is considered as being within the corporate limits and jurisdiction of the City of Birmingham for the purposes of real and personal property taxation. During the term of the agreement and any renewals, the City of Birmingham shall annually pay the Township the equivalent of the Township's then-prevailing property tax millage on the taxable value of the transferred area. The Township collected \$59,783 from the City of Birmingham under this agreement for the year ended March 31, 2006.

XVI. SUBSEQUENT EVENT

On August 8, 2006, voters approved a 25 year general obligation bond proposal that will allow the Township to fund a proposed \$26 million Capital Building project. The project consists of the construction of a new senior center, new public services facility, and a new central fire station to be located at the Township's civic campus and the renovation an existing fire station located elsewhere in the Township. The vote allowed for an increase of 2.0114 mills for the repayment of the bonds.

STATISTICAL INFORMATION REQUIRED FOR CONTINUING DISCLOSURE CERTIFICATE
(unaudited - not covered by audit opinion)

CHARTER TOWNSHIP OF BLOOMFIELD

STATISTICAL INFORMATION REQUIRED FOR CONTINUING DISCLOSURE CERTIFICATE

(unaudited - not covered by audit opinion)

March 31, 2006

A. Tax Levies and Collections

<u>YEAR</u>	<u>TAX LEVY</u>	<u>COLLECTIONS TO MARCH 1 OF FOLLOWING YEAR</u>	
2005	\$40,077,547	\$38,234,099	95.40%
2004	37,486,906	35,656,378	95.12%
2003	33,797,608	32,140,571	95.10%
2002	23,530,927	22,275,924	94.67%
2001	21,973,351	20,784,593	94.59%
2000	20,275,093	19,263,366	95.01%
1999	18,975,670	18,134,758	95.57%
*1998	17,288,738	16,592,982	95.98%
1997	17,633,632	16,878,656	95.72%
1996	17,728,471	17,029,447	96.06%
1995	16,992,104	16,240,121	95.57%

*Beginning in 1998, the Township Tax Levy no longer includes the Oakland County Public Transportation millage.
Source: Treasurer, Charter Township of Bloomfield

The Township's taxes are due and payable and a lien created upon the assessed property on December 1 each year. Taxes remaining unpaid on the following March 1st are turned over to the County Treasurer for collection. If all real property taxes are not paid by May 1 two years following return to the County Treasurer, the property is sold for taxes.

B. History of Property Valuations*

	<u>State Equalized Valuation</u>	<u>Taxable Value</u>
2006	\$4,499,786,770	\$3,732,884,300
2005	4,358,891,740	3,531,875,030
2004	4,159,870,180	3,380,624,306
2003	4,005,952,600	3,236,501,438
2002	3,816,576,370	3,115,293,208
2001	3,515,424,250	2,952,304,218
2000	3,235,169,350	2,757,447,208
1999	3,001,661,120	2,646,257,403
1998	2,756,543,150	2,538,783,130
1997	2,575,677,890	2,436,762,470
1996	2,442,271,550	2,344,785,060
1995	2,292,754,670	2,252,388,450

Beginning in 1995, the Taxable Value and not the State Equalized Value is used to calculate the tax levy.

C. Michigan Property Tax and School Finance Reform

See information provided in Continuing Disclosure Certificates previously filed with National and State of Michigan Municipal Securities Information Repositories regarding this topic.

CHARTER TOWNSHIP OF BLOOMFIELD

STATISTICAL INFORMATION REQUIRED FOR CONTINUING DISCLOSURE CERTIFICATE (CONTINUED)

(unaudited - not covered by audit opinion)

March 31, 2006

D. Tax Rate Limitations

The Township Charter provides tax rate limitations as follows:

<u>Purpose</u>	Rate (Per \$1,000 of State) <u>Equalized Valuation</u>	Maximum <u>Permitted Rate*</u>
General Operating	\$ 1.4100	\$ 1.0085

The Township may levy taxes in excess of the above limitation pursuant to state law for the following purposes:

<u>Purpose</u>	<u>Authority</u>	Rate (per \$1,000 of State) <u>Equalized Valuation</u>
Refuse Collection and Disposal	Act 298, P.A. of Michigan 1917, as amended	\$ 3.00
Police & Fire Pension Requirements	Act 345, P.A. of Michigan 1937, as amended	Amount required to make contribution

In addition, Article IX, Section 6 of the Michigan Constitution of 1963, as amended, permits the levy of millage in excess of the above for:

1. All debt service on tax supported bonds issued prior to December 23, 1978, or tax supported issues, which have been approved by the voters.
2. Operating purposes for a specific period of time provided that said increase is approved by a majority of the qualified electors of the local unit.

*The Michigan Constitution provides for tax rate limitations. See information provided in Continuing Disclosure Certificates previously filed with National and State of Michigan Municipal Securities Information repositories regarding these limitations.

E. Labor Agreements

The Township has three employee bargaining units which have negotiated comprehensive salary, wage, fringe benefits and working conditions contracts with the Township.

The duration of these agreements are as follows:

<u>Employee Group</u>	<u>Number of Employees</u>	<u>Expiration Date of Contract</u>
Firefighters	66	March 31, 2005
Police Employees (Command Officers)	12	March 31, 2010
Police Employees (Patrolmen)	56	March 31, 2010

CHARTER TOWNSHIP OF BLOOMFIELD

STATISTICAL INFORMATION REQUIRED FOR CONTINUING DISCLOSURE CERTIFICATE (CONCLUDED)

(unaudited - not covered by audit opinion)

March 31, 2006

F. General Fund - Fund Balance

The Township's General Fund balance for the last ten years has been as follows:

<u>Fiscal Year Ending</u> <u>March 31</u>	<u>Fund Balance</u>
2006	\$ 4,874,045
2005	3,702,360
2004	3,249,920
2003	3,313,751
2002	2,950,118
2001	6,275,091
2000	8,806,964
1999	11,134,697
1998	11,710,414
1997	11,526,325
1996	11,039,676
1995	10,056,597

Source: Charter Township of Bloomfield audited financial statement

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

CHARTER TOWNSHIP OF BLOOMFIELD, MICHIGAN

COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS March 31, 2006

	Non-major Special Revenue	Non-major Debt Service	Total Non-major Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 6,760,385	\$ 54,855	\$ 6,815,240
Receivables			
Interfund construction advances	99,500	-	99,500
Other	208,557	-	208,557
Prepaid items	57,013	-	57,013
TOTAL ASSETS	\$ 7,125,455	\$ 54,855	\$ 7,180,310
LIABILITIES			
Accounts payable	\$ 335,091	\$ -	\$ 335,091
Deferred revenue	80,585	-	80,585
TOTAL LIABILITIES	415,676	-	415,676
FUND BALANCES - RESERVED			
Reserved for debt service	-	54,855	54,855
FUND BALANCES - UNRESERVED			
Undesignated	6,558,931	-	6,558,931
Designated	150,848	-	150,848
	6,709,779	54,855	6,764,634
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,125,455	\$ 54,855	\$ 7,180,310

CHARTER TOWNSHIP OF BLOOMFIELD, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NON-MAJOR GOVERNMENTAL FUNDS Year Ended March 31, 2006

	Non-major Special Revenue	Non-major Debt Service	Total Non-major Governmental Funds
	<u>Revenue</u>	<u>Service</u>	<u>Funds</u>
REVENUE			
Property taxes	\$ 3,327,707	\$ -	\$ 3,327,707
Charges for services	13,932	-	13,932
Licenses, permits and fees	1,714,095	-	1,714,095
Investment	7,005	-	7,005
Fines and forfeitures	41,616	-	41,616
Fees	146,627	-	146,627
Miscellaneous	656,931	-	656,931
	<u>5,907,913</u>	<u>-</u>	<u>5,907,913</u>
TOTAL REVENUE	5,907,913	-	5,907,913
EXPENDITURES			
OPERATING			
General government	1,049,864	-	1,049,864
Public works	1,922	-	1,922
Public safety	374,722	-	374,722
Community enrichment and development	2,101,868	-	2,101,868
Other	3,262	-	3,262
DEBT SERVICE			
Principal retirement	-	428,148	428,148
Interest and fiscal charges	-	128,243	128,243
CAPITAL OUTLAY	1,249,073	-	1,249,073
	<u>4,780,711</u>	<u>556,391</u>	<u>5,337,102</u>
TOTAL EXPENDITURES	4,780,711	556,391	5,337,102
REVENUES OVER (UNDER) EXPENDITURES	1,127,202	(556,391)	570,811
OTHER FINANCING SOURCES (OTHER)			
Transfers out	500,000	-	500,000
	<u>500,000</u>	<u>-</u>	<u>500,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	500,000	-	500,000
NET CHANGE IN FUND BALANCES	1,627,202	(556,391)	1,070,811
FUND BALANCES, beginning of year	5,082,577	611,246	5,693,823
	<u>5,082,577</u>	<u>611,246</u>	<u>5,693,823</u>
FUND BALANCES, end of year	\$ 6,709,779	\$ 54,855	\$ 6,764,634
	<u>\$ 6,709,779</u>	<u>\$ 54,855</u>	<u>\$ 6,764,634</u>

CHARTER TOWNSHIP OF BLOOMFIELD, MICHIGAN

COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
March 31, 2006

	Senior Services	Bloomfield Village Police	Bloomfield Village Fire	Lake Improvement	Improvement & Revolving	Building Department	Drug Law Enforcement	Safety Path	Cable TV	Total
ASSETS										
Cash and cash equivalents	\$ 1,523,457	\$ 346,869	\$ 122,568	\$ 327,843	\$ 193,060	\$ 361,425	\$ 150,848	\$ 2,497,940	\$ 1,236,375	\$ 6,760,385
Receivables										
Interfund construction advances	-	-	-	-	99,500	-	-	-	-	99,500
Other	3,910	-	-	-	-	(1,490)	-	-	206,137	208,557
Prepaid items	-	-	-	-	57,013	-	-	-	-	57,013
TOTAL ASSETS	<u><u>\$ 1,527,367</u></u>	<u><u>\$ 346,869</u></u>	<u><u>\$ 122,568</u></u>	<u><u>\$ 327,843</u></u>	<u><u>\$ 349,573</u></u>	<u><u>\$ 359,935</u></u>	<u><u>\$ 150,848</u></u>	<u><u>\$ 2,497,940</u></u>	<u><u>\$ 1,442,512</u></u>	<u><u>\$ 7,125,455</u></u>
LIABILITIES										
Accounts payable	\$ 69,527	\$ 16,653	\$ 1,547	\$ 1,312	\$ 11,177	\$ 127,168	\$ -	\$ 25,337	\$ 82,370	\$ 335,091
Deferred revenue	47,085	-	-	-	-	-	-	-	33,500	80,585
TOTAL LIABILITIES	<u>116,612</u>	<u>16,653</u>	<u>1,547</u>	<u>1,312</u>	<u>11,177</u>	<u>127,168</u>	<u>-</u>	<u>25,337</u>	<u>115,870</u>	<u>415,676</u>
FUND BALANCES - UNRESERVED										
Undesignated	1,410,755	330,216	121,021	326,531	338,396	232,767	-	2,472,603	1,326,642	6,558,931
Designated	-	-	-	-	-	-	150,848	-	-	150,848
	<u>1,410,755</u>	<u>330,216</u>	<u>121,021</u>	<u>326,531</u>	<u>338,396</u>	<u>232,767</u>	<u>150,848</u>	<u>2,472,603</u>	<u>1,326,642</u>	<u>6,709,779</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 1,527,367</u></u>	<u><u>\$ 346,869</u></u>	<u><u>\$ 122,568</u></u>	<u><u>\$ 327,843</u></u>	<u><u>\$ 349,573</u></u>	<u><u>\$ 359,935</u></u>	<u><u>\$ 150,848</u></u>	<u><u>\$ 2,497,940</u></u>	<u><u>\$ 1,442,512</u></u>	<u><u>\$ 7,125,455</u></u>

CHARTER TOWNSHIP OF BLOOMFIELD, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS
Year Ended March 31, 2006

	Senior Services	Bloomfield Village Police	Bloomfield Village Fire	Lake Improvement	Improvement & Revolving	Building Department	Drug Law Enforcement	Safety Path	Cable TV	Total
REVENUES										
Property taxes	\$ 875,404	\$ 372,929	\$ 92,996	\$ 250,335	\$ -	\$ -	\$ -	\$ 1,736,043	\$ -	\$ 3,327,707
Charges for services	-	-	-	-	-	-	-	-	13,932	13,932
Licenses, permits and fees	-	-	-	-	-	1,169,466	-	-	544,629	1,714,095
Investment	-	-	-	-	7,005	-	-	-	-	7,005
Fines and forfeitures	-	-	-	894	-	-	40,722	-	-	41,616
Fees	146,627	-	-	-	-	-	-	-	-	146,627
Miscellaneous	128,874	-	-	32,586	35,117	653	-	53	459,648	656,931
TOTAL REVENUES	1,150,905	372,929	92,996	283,815	42,122	1,170,119	40,722	1,736,096	1,018,209	5,907,913
EXPENDITURES										
Operating										
General government	-	-	-	-	-	1,049,864	-	-	-	1,049,864
Public works	-	-	-	-	-	-	-	1,922	-	1,922
Public safety	-	310,690	64,032	-	-	-	-	-	-	374,722
Community enrichment & development	614,537	-	-	256,850	442,159	-	-	-	788,322	2,101,868
Other	-	-	-	-	3,218	-	44	-	-	3,262
	614,537	310,690	64,032	256,850	445,377	1,049,864	44	1,922	788,322	3,531,638
Capital outlay	-	-	-	-	-	1,996	9,495	1,210,275	27,307	1,249,073
TOTAL EXPENDITURES	614,537	310,690	64,032	256,850	445,377	1,051,860	9,539	1,212,197	815,629	4,780,711
REVENUES OVER (UNDER) EXPENDITURES	536,368	62,239	28,964	26,965	(403,255)	118,259	31,183	523,899	202,580	1,127,202
OTHER FINANCING SOURCES (USES)										
Transfers (out)	-	-	-	-	500,000	-	-	-	-	500,000
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	500,000	-	-	-	-	500,000
NET CHANGE IN FUND BALANCES	536,368	62,239	28,964	26,965	96,745	118,259	31,183	523,899	202,580	1,627,202
FUND BALANCES, beginning of year	874,387	267,977	92,057	299,566	241,651	114,508	119,665	1,948,704	1,124,062	5,082,577
FUND BALANCES, end of year	\$ 1,410,755	\$ 330,216	\$ 121,021	\$ 326,531	\$ 338,396	\$ 232,767	\$ 150,848	\$ 2,472,603	\$ 1,326,642	\$ 6,709,779

CHARTER TOWNSHIP OF BLOOMFIELD, MICHIGAN

**BALANCE SHEET
NON-MAJOR DEBT SERVICE FUND
March 31, 2006**

	<u>CSO Debt</u>
ASSETS	
Cash and cash equivalents	<u><u>\$ 54,855</u></u>
FUND BALANCES	
Reserved for debt service	<u>54,855</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 54,855</u></u>

CHARTER TOWNSHIP OF BLOOMFIELD, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR DEBT SERVICE FUND
Year Ended March 31, 2006**

	<u>CSO Debt</u>
REVENUES	
Property taxes	\$ -
Other revenue	-
TOTAL REVENUES	<u>-</u>
EXPENDITURES	
Principal retirement	428,148
Interest and fiscal charges	<u>128,243</u>
TOTAL EXPENDITURES	<u>556,391</u>
NET CHANGE IN FUND BALANCE	(556,391)
FUND BALANCE, beginning of year	<u>611,246</u>
FUND BALANCE, end of year	<u><u>\$ 54,855</u></u>

CHARTER TOWNSHIP OF BLOOMFIELD, MICHIGAN

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUND Year Ended March 31, 2006

<u>AGENCY</u>	<u>Balance - April 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance - March 31, 2006</u>
ASSETS				
Cash	<u>\$ 2,179,608</u>	<u>\$ 107,437</u>	<u>\$ -</u>	<u>\$ 2,287,045</u>
LIABILITIES				
Employees' compensated absences	\$ 1,409,831	\$ 122,450	\$ -	\$ 1,532,281
Accounts payable & withholdings	19,118	(15,179)	-	3,939
Deposits & other liabilities				
Escrow deposits	197,503	-	(15,469)	212,972
Developer deposits	319,696	-	26,180	293,516
Other	<u>233,460</u>	<u>10,877</u>	<u>-</u>	<u>244,337</u>
TOTAL LIABILITIES	<u>\$ 2,179,608</u>	<u>\$ 118,148</u>	<u>\$ 10,711</u>	<u>\$ 2,287,045</u>

**Charter Township of Bloomfield, Michigan
Management Letter Comments and Recommendations
For year ended March 31, 2006**

Management Comments Included in Letter to State of Michigan:

Additional Comments:

Lake Improvement

The Township does not prepare a detailed budget of lake expenditures. Implementing a more detailed budget will provide an actual-to-budget comparison on an individual lake basis, which will help in determining any necessary increase or decrease in assessments as well as encourage maintaining a positive fund balance. Over the past two years, Forest Lake's expenditures have increased by 38% and its fund balance has gone from positive to negative. To help maintain positive fund balances and to control expenditures, we recommend that the Township implement these budgetary changes for the 2007/2008 fiscal year.

Building Department

All costs associated with the Building Department Director should be allocated to the department where work is being performed. Since the Director has been spending approximately fifty percent of her time in the planning department and fifty percent of her time in the building department, fringe benefits as well as salary should be allocated 50/50 to each department. Furthermore, all expenses relating to ordinances are currently allocated to the general fund; however, if time is being spent on areas such as building code enforcement, then these costs should be allocated to the building department.

Electronic Fund Transfers

The Township does not require a second approval for non-wire Electronic Fund Transfers. A Few individuals have access to the username, password, and code machine required to complete a transfer. The Township should consider implementing a second approval for all Electronic Fund Transfers to ensure proper internal control.

Water & Sewer Billing Process

The Water & Sewer Department recently changed billing software. Billing clerks have the ability to make changes in the system during the current billing cycle without any approval. We recommend that the Township require that either all changes need approval prior to being completed or that management must approve all changes daily.

Charter Township of Bloomfield, Michigan
Management Letter Comments and Recommendations (Continued)
For year ended March 31, 2006

Reoccurring Comments:

These issues have been discussed during the last several years.

Evidence Room

As part of our audit of the Drug Law Enforcement Fund, we examined the policies and procedure used to ensure security of the Police evidence room. During this examination, we noted several apparent breaches of proper internal control. These included a lack of proper log books necessary to insure chain of control of evidence such as narcotics. Also, several individuals had keys which could access the room and/or the same key opened several locks in the secure area. Some considerations may include implementing an additional step, such as using the computer system to keep track of property that is logged in or out as well as attaching a lockbox inside the main evidence room, which holds a separate key to access the narcotics/weapon room. In addition, the Michigan State Police have information kits that describe proper evidence room procedures. We recommend that the Township review and consider adopting these standard procedures.

Escheatable Items

We noted that several checks have been outstanding for more than one year. Management has endeavored to find the payees and should continue to try to resolve these old items. If payees cannot be found, the escheat process should be considered.

Escrow Deposits and Building Bonds

Management has implemented policies to follow up on escrow deposits and building bonds which become old during the year on an annual basis. As of March 31, 2006, approximately 40% of the building bond balances was greater than five years old. Very old building bond and escrow account balances remain an issue as depositors cannot be located. Management should continue to try to resolve other old items; if escrow account holders cannot be found, the escheats process should be considered.

Road Fund

During the last seven years, Road Fund expenditures have exceeded revenue, and as a result, the Road Fund's fund balance has been depleted over the years by these excess expenditures. During the current year, the Township's General Fund funded a significant portion of the Road Fund's operations, with a transfer of \$500,000. The Township needs to consider how much longer the General Fund can continue funding the Road Fund's operations. The Township should consider requesting a millage increase if they expect Road Fund expenditures to continue at the current level. If the Township does not receive this or other additional funding, a reduction in Road Fund expenditures must be considered in order to avoid depleting the remaining General Fund and Road Fund balances.

2005 Note

Water and Sewer Billings – Did this Change?

We noted that the Township does not charge interest or penalties when water bills are not paid by their due date. Although we have not done a formal survey, we believe that almost all water and sewer departments assess a charge for late payment. We have noted that a typical charge is 5% of the balance if payment is made after the due date. The imposition of such a charge should not only result in faster collections and increased cash flow, but it would also reward the vast majority of the water and sewer customers who already pay on time. We recommend that the water and sewer department implement the assessment of late payment charges on water and sewer billings as soon as possible.

Charter Township of Bloomfield, Michigan
Management Letter Comments and Recommendations (Concluded)
For year ended March 31, 2006

Employee Health Care, Pension and Post Employment Retiree Benefit Expenses – Need to update?

During the past three years, pension contributions have increased from \$2,600,000 per year to \$3,800,000, or 46%. In addition, the Township is obligated to provide post employment benefits to its retirees. These benefits had a current year cost of more than \$1,900,000, a \$400,000 increase since last year and based on projected health insurance cost increases and an increasing number of retirees, this amount will probably continue to drastically increase in subsequent years. The Township needs to consider how to fund this obligation that actuaries expect to exceed \$30 million and which will eventually have to be recorded in their financial statements in accordance with GASB pronouncements.

The Township provides full health, dental, vision and life insurance coverage to all of its full-time employees. The cost of this coverage has increased from approximately \$5,900 per year per employee in 1998 to \$13,300 in 2005. The current year increase alone was \$1,500 per employee, for a total cost increase to the Township of over \$600,000 during the current year. Health care costs for current employees now total approximately \$5,100,000 and current and retiree health care costs total \$7,000,000, which represents 18.3% of total governmental fund expenses.

The combination of these factors has a potential to negatively impact future operations, especially when the number of retirees will eventually exceed current employees. We commend the Township for doing the long range planning to reduce and contain these continuing and future obligations as much as possible and encourage the continuance of such planning. We also commend the Township for beginning to fund post employment health care benefits.